



INFORMATION CAPSULE

Research Services

Vol. 0820
May 2009

Christie Blazer, Supervisor

EDUCATIONAL MANAGEMENT ORGANIZATIONS

At a Glance

This Information Capsule focuses on one of five restructuring options provided to chronically low-performing schools under the No Child Left Behind Act of 2001: contracting with educational management organizations to operate schools. Advantages and disadvantages of educational management organizations are reviewed and guidelines school districts should follow when engaging in the school contracting process are summarized. A review of the research on privately-managed schools' impact on student achievement is provided, including studies conducted on Miami-Dade County Public Schools' past contracting experiences. Most studies have found no evidence to support the contention that privately-managed schools are an effective option for restructuring low-performing schools.

The No Child Left Behind (NCLB) Act of 2001 requires that schools failing to make adequate yearly progress in the percentage of students meeting grade level standards for five consecutive years must engage in restructuring to improve student learning. NCLB provides a number of restructuring options, including:

- Chartering - closing and reopening as a public charter school;
- Turnaround - replacing school staff, including the principal, relevant to the failure;
- Contracting - contracting with an outside entity to operate the school;
- State takeover - turning the school operations over to the state educational agency; and
- Other - engaging in another form of major restructuring that makes fundamental reforms.

This report focuses on the contracting option (option 3). Under this option, school districts close a school and reopen it as a school managed by an outside entity with a demonstrated record of effectiveness, such as an educational management organization (EMO). The term EMO was coined by Wall street analysts as an analogue to health maintenance organizations (HMOs). School districts contract with EMOs to deliver comprehensive educational and management services to failing schools. Contracting is different from chartering, in which contracts are governed by state charter laws. In non-charter contracts, every aspect of the arrangement is negotiated between the school district and the EMO. School districts retain ultimate control over the EMO through their ability to negotiate the terms of the contract and terminate the arrangement if those terms are not met. Schools run by EMOs continue to function as public schools, receiving tax dollars and fully complying with all state mandates (Hassel et al., 2006; Kowal & Arkin, 2005; Patterson, 2005; U.S. General Accounting Office, 2002; Miron & Applegate, 2000).

Research Services

Office of Assessment, Research, and Data Analysis
1500 Biscayne Boulevard, Suite 225, Miami, Florida 33132
(305) 995-7503 Fax (305) 995-7521

In 2007-08, 50 for-profit EMOs managed 533 schools in 28 states, serving approximately 255,000 students across the United States. Eighty-eight percent (471) of these schools were charter schools and 12 percent (62) were contracts with public school districts (Molnar et al., 2008). In 2007-08, nonprofit EMOs operated 488 schools in 24 states, all of which were charter schools (Miron & Urschel, 2008).

Potential Advantages of EMOs

Proponents of EMOs believe that privately managed schools offer many advantages, including (Byrnes, 2009; Molnar et al., 2008; Mac Iver & Mac Iver, 2006; Hentschke et al., 2003; Levin, 2002; National Center for the Study of Privatization in Education, n.d.):

- EMOs bring new leadership talent, entrepreneurial skills, and innovative ideas to school districts that help to speed up reform.
- EMOs have both short-term incentives (making a profit) and long-term incentives (retaining a profitable contract) to improve student performance. The competition among companies forces them to offer quality educational programs and produce successful results.
- Public schools are constrained by bureaucratic requirements and practices that can limit the reforms they are able to implement in order to improve student achievement.
- Because each EMO seeks to distinguish itself from its competitors by creating a distinctive brand, they provide school districts with a variety of curricular, instructional, and programmatic options.
- EMOs have more capital than public school districts to fund research and development in areas such as innovative curriculum, educational technology, and professional development.
- Large EMOs have economies of scale. Because of their size, they are able to provide goods and services at a lower cost. Even the largest school districts lack the scale of large corporations.
- The potential threat of private management of public schools motivates districts to become more innovative and improve their provision of services.

Potential Disadvantages of EMOs

Opponents of privatization contend that EMOs have many disadvantages, including (Hentschke et al., 2003; Bracey, 2002; Levin, 2002; National Center for the Study of Privatization of Education, n.d.).

- For-profit EMOs' top priority is financial gain. They operate schools at the lowest possible cost in order to maximize profits and shareholder returns.
- EMOs turn away students who are most expensive to educate, such as children who receive special education services or have severe emotional or behavioral problems.
- EMOs may minimize or eliminate social services readily available in public schools because of their large costs.
- School districts have a deep level of local knowledge and understanding of the students, parents, and community stakeholders they serve that EMOs (especially multi-school EMOs) can never fully achieve.
- The economies of scale that were anticipated don't exist. Since schools are labor intensive, there are only two ways to significantly reduce operational costs: hire less experienced staff and/or use low-cost educational strategies that minimize the need for additional personnel and provide a no-frills pedagogy.

- Researchers have found little evidence of major new pedagogical approaches in privately managed schools. Every aspect of EMOs' curricula, instructional strategies, and use of technology can already be found in existing public schools.

Guidelines for Contracting with EMOs

Researchers agree that every relationship between a school district and an EMO is different and there is no formula for the perfect contract. Most experts believe that EMOs should be selected based on the specific needs of the individual school (Hassel et al., 2006; Kowal & Hassel, 2006; Rhim, 2005). Levin (2002) stated that "one size does not fit all," adding that differences in the background, culture, ethnicity, and socioeconomic status of students create large variance in the types of programs and materials that will most benefit the local student population. Rhim (2005) concluded that states cannot and should not micromanage restructuring contracts from afar. They must either allow the local district to initiate the reform effort or commit to becoming actively involved in all aspects of the reform process at the local level.

Most experts agree that successful contracting for educational management requires districts to follow a few basic guidelines. Research and experience indicate that the following factors contribute to the success of school contracting:

- **Engage in a rigorous, transparent, and fair selection process.** When selecting an EMO, districts should assess the company's knowledge, skills, and past performance and thoroughly review their applications from the educational, organizational, legal, and financial perspectives. Documented best practices include setting specific criteria for selection, recruiting diverse teams to review applications, and keeping the process open and competitive (Hassel et al., 2006; Rhim, 2004; Hentschke et al., 2003).

The Comprehensive School Reform Quality Center (2006a) has published a report entitled *Choosing an Education Contractor: A Guide to Assessing Financial and Organizational Capacity*. The guide offers tips and tools to help districts gather information and evaluate potential EMOs' financial and organizational status. It includes suggested review processes, questions to ask, red flags, worksheets, and a listing of resources on how to select EMOs and assess their programs. The guide is available at <http://www.csrq.org/documents/CSRQConsumerGuide08-01-06.pdf>.

The Comprehensive School Reform Quality Center (2006b) has also produced a report that rates seven different EMOs on the effectiveness of learning at their schools and evaluates each provider on a range of other factors, including whether they provide professional development for school staff and if their instructional programs are based on educational research findings. The report is entitled *CSRQ Center Report on Education Service Providers* and is available at http://www.csrq.org/documents/ESPCSRQReport-Full_000.pdf.

- **Involve stakeholders in the privatization process.** Successful school privatization efforts involve parents and community members in the selection and implementation process (Hassel et al., 2006; Kowal & Hassel, 2006). Rhim (2004) noted that transitioning a neighborhood school from traditional management to private management can give rise to fear and resentment, even when the school is failing. She recommended that districts cultivate relationships with parents and members of the local community to build trust and facilitate the transition process. Once the school has been turned over to the EMO, stakeholders should be regularly apprised of how tax dollars are being spent (Hentschke et al., 2002).
- **Execute unambiguous contracts that clearly articulate roles and responsibilities.** Researchers agree that contracts should establish measurable student achievement and organizational performance goals, a timeline for improvement, and fiscal incentives or penalties associated with success or failure.

The circumstances under which the district may intervene in the school or terminate the contract must be clearly stipulated. In addition, contracts should address the level of funding the district will provide the EMO and specify any services, such as transportation, food services, or facilities management, the district will continue to provide to the school. The extent to which the EMO may access the district's services, such as professional development, certification, and recruitment programs, should also be defined (Hassel et al., 2006; Kowal & Hassel, 2006; Useem, 2005; Hentschke et al., 2002).

- **Give EMOs the flexibility and autonomy they need to effectively manage their schools.** Districts should provide EMOs with the freedom to deviate from traditional district policies and implement different approaches to instruction, use of funding, staffing, scheduling, and discipline techniques. Research within education and across industries has found that the freedom to try approaches that differ from current practices plays a significant role in the success of privatization efforts (Hassel et al., 2006; Gill et al., 2005; Hentschke et al., 2002). Kowal and Hassel (2006) concluded that “to the extent that the district requires or encourages the EMO to use existing district staff, methods, services or schedules, success for students who did not achieve under traditional methods may be compromised.”

In addition, experts urge districts to shift budgeting decisions to the school level, giving principals the power to use funds in ways that best meet the school's needs (Kowal & Hassel, 2006; Rhim, 2004). Kowal and Hassel (2006) noted that “the district can hold the school accountable for its spending without prescribing down to the last dollar how a school allocates its money.” Researchers also agree that privately-managed schools should be given the authority to make their own personnel decisions (Hassel et al., 2006; Kowal & Hassel, 2006; Hentschke et al., 2002).

- **Closely monitor operations at EMO-run schools.** Researchers have found that the most successful privatization efforts create a group of central office staff dedicated to managing the contracting process. Once the EMO school opens, this group of individuals should communicate frequently with the school staff and regularly monitor operations and outcomes (Hassel et al., 2006; Gill et al., 2005; Rhim, 2004).
- **Conduct annual evaluations of privately-managed schools.** Districts should stipulate the process by which EMO-run schools will be evaluated, including the types of academic, organizational, financial, and compliance data that will be reviewed, and the frequency with which data will be gathered and reported. Districts should conduct their own annual evaluations of program implementation and student achievement and ensure that all findings are made available to the public (Hassel et al., 2006; Kowal & Hassel, 2006; American Federation of Teachers, 2000; Miron & Applegate, 2000).

Some EMOs conduct evaluations of their own schools, but experts have warned that these evaluations tend to focus on the most favorable data (American Federation of Teachers, 2000; Miron & Applegate, 2000). The U.S. General Accounting Office (2002), for example, dismissed Edison Schools' own findings of improved student achievement, concluding that their evaluations lacked the necessary data upon which to base program effectiveness conclusions.

Research on EMOs

A review of the research conducted on privately-managed schools is provided below. Overall, results are mixed, although most studies have concluded that there are no significant differences between the academic performance of students attending EMO-managed schools and those enrolled in traditional district-run schools (Byrnes, 2009; Borja, 2006; Hassel et al., 2006; Mac Iver & Mac Iver, 2006). Levin (2002) concluded that “whatever the flaws of existing public school management and its poor performance in many urban areas, it does not appear that privatization alone is an effective answer.”

Following is a summary of research that has been conducted on the impact of privately-managed schools on students' academic achievement. Studies are organized by geographic area.

Philadelphia

In 2001, the Commonwealth of Pennsylvania took charge of the School District of Philadelphia. The school district's nine-member school board was replaced with a School Reform Commission (SRC), whose members were appointed by the governor of Pennsylvania and the mayor of Philadelphia. The SRC adopted a "diverse provider" restructuring model, turning over management of 45 of Philadelphia's lowest performing elementary and middle schools to three for-profit EMOs (Chancellor Beacon Academies, Edison Schools, and Victory Schools), two nonprofit organizations (Foundations, Inc., and Universal Companies, Inc.), and two local universities (Temple University and University of Pennsylvania). Private managers were given additional per-pupil funding to support their efforts. At the same time, the SRC restructured an additional 21 low-performing schools that remained under district control but implemented district-developed interventions and received extra per-pupil funding (known as Office of Restructured Schools or ORS schools). Sixteen other schools (known as "sweet 16" schools) were provided with increased funding but no additional interventions. Four schools became public charter schools. In total, 86 low-achieving schools were given some sort of special treatment or new management under the diverse provider model (Gill et al., 2007; Gold et al., 2007). Gill and associates (2007) characterized Philadelphia as "the site of the nation's largest experiment in the private management of public schools."

- Researchers associated with the Rand Corporation and Research for Action studied Philadelphia's diverse provider model. Their analyses, based on Pennsylvania System of Student Assessment (PSSA) reading and math scores, found that despite additional per-pupil resources, privately managed schools did not produce average increases in student achievement that were significantly larger than those of low-achieving students elsewhere in the state. After four years of intervention, achievement gains in EMO schools and "sweet 16" schools were no different from Philadelphia's districtwide gains. In fact, schools that had been restructured but remained under district control (ORS schools) outgained the rest of the district in math each year. The researchers concluded that Philadelphia provided no evidence to support the additional expenditures of private management as an effective method of promoting student achievement (Gill et al., 2007).
- Mac Iver and Mac Iver (2006) studied the effect of privatization on Philadelphia students in the middle grades. Because the introduction of EMO-run schools coincided with a movement to increase the number of K-8 schools, the researchers analyzed results separately for middle schools, newly established K-8 schools, and older K-8 schools. Analyses were based on achievement growth on the fifth and eighth grade PSSA reading and math scores and compared district-run schools to Edison-managed schools and other EMO-managed schools. Results indicated that achievement gains through spring 2006 in the EMO-managed schools were not significantly greater than gains in the district-run schools. Students in non-Edison EMO-managed schools actually performed worse than students in district-run schools. At Edison schools, results were not significantly different from those at district-run schools. Edison students from one older K-8 school outgained students in district-run older K-8 schools in both reading and math, but Edison did not significantly outperform the district when managing middle schools or new K-8 schools.
- Useem (2005) analyzed test score data from administrations of the Terra Nova reading and math exams in 2003, 2004, and 2005. She compared the percentage of students in grades 5 and 8 scoring at or above national norms and the percentage of students scoring in the bottom national quartile. Analyses compared EMO-run schools, "sweet 16" schools, and ORS schools. No significant differences were found between the scores of the students in the three types of schools or in the decreases in the percentage of students scoring in the bottom quartile. A second analysis, using 2002 to 2005 PSSA test scores, found that students in ORS schools posted greater gains than students in EMO schools in both reading and math. Useem concluded that none of the restructuring strategies had been especially effective in raising student achievement.

- Byrnes (2009) studied the academic achievement of middle school Philadelphia students over a 10-year time period (from 1996-97 to 2005-06). Analyses of PSSA reading and math scores considered six years of trend data prior to the state takeover and four years of data following the takeover. Analyses controlled for student ethnicity, student socioeconomic status, and school type (middle or K-8 school). Byrnes found that although both district-run and EMO schools posted score gains, greater gains were found in district-run schools than in EMO schools. He also found little difference between the gain scores of students attending Edison schools and schools operated by other EMOs.
- Christman, Gold, and Herold (2006) examined gains in the percent of students scoring at the Advanced and Proficient levels on the PSSA, by provider, from 2002 to 2005. As can be seen in Table 1, schools run by Philadelphia’s Office of Restructured Schools (ORS) posted greater gains among fifth and eighth graders than any of the contracted providers in both reading and math. Schools partnered with the University of Pennsylvania posted the next highest score gains in reading. Both University of Pennsylvania and Edison schools posted the next highest score gains in math.

Table 1. Percent of Change in Students Scoring Advanced or Proficient on PSSA Reading and Math, Grades 5 and 8 Combined, 2002 to 2005

| Reform Model | Reading | Math |
|----------------------------|----------------|-------------|
| ORS Schools | +17.4% | +29.3% |
| University of Pennsylvania | +14.1% | +21.1% |
| Victory Schools | +13.1% | +15.8% |
| Charter Schools | +11.8% | +16.8% |
| Edison Schools | +11.2% | +21.1% |
| Universal Schools | +10.6% | +10.2% |
| Foundations | +9.0% | +19.1% |
| Temple University | +6.2% | +12.1% |

- Peterson and Chingos (2009) compared the test scores of students attending for-profit and nonprofit EMO schools in Philadelphia. The researchers tracked the performance of students in reading and math from 2001 to 2008. Students attended 30 schools under for-profit management (20 Edison Schools, five Victory Schools, and five Chancellor Beacon Academies), 16 schools under nonprofit management (five Foundations schools, three Universal Companies schools, three University of Pennsylvania schools, and five Temple University schools), and a control group (71 traditional district schools with performance levels close to those at restructured schools). Analyses were based on test performance on the PSSA, Terra Nova, and Stanford 9. Results indicated that students at schools managed by for-profit EMOs made significantly larger test score gains in math, but not in reading, than would be expected had those schools remained under district management. For nonprofit EMOs, the researchers found a negative impact in both reading and math, but none of the effects were statistically significant. An analysis comparing for-profit and nonprofit EMOs found that for-profit EMOs were significantly more effective in raising reading and math scores than nonprofit EMOs.

These results clearly differ from those reported by researchers associated with the Rand Corporation and Research for Action (Gill et al., 2007). Gill and associates found that privately-managed schools did not produce increases in student achievement that were significantly different than those found at other schools. It should be noted that Gill and associates’ study used a different methodology, including different comparison groups, than Peterson and Chingos, which may have accounted for the discrepancy in results.

- Peterson (2007) tracked the performance of two cohorts of fifth graders for three years to see if they had higher PSSA scores when they reached the eighth grade. He compared students attending EMO schools with students attending schools run by the Office of Restructured Schools (ORS) and schools districtwide. PSSA scores are based on four performance levels: Advanced, Proficient, Basic, and Below Basic. Peterson concluded that EMOs, as compared to both ORS schools and to the district's schools as a whole, lifted a comparable percentage of students to the Proficient level in reading and math, while raising a higher percentage of students to the Basic level of proficiency in the two subjects.
- The Center for Education Reform (2007) reported that the percentage of third grade EMO students scoring at the Advanced or Proficient level on the PSSA math exam increased by 12.4 percent from 2005 to 2006, while the percent of students in district-run schools increased by only 6.9 percent over the same period. When examining longer-term trends, the researchers found that EMO schools almost quadrupled their percent of students scoring at the Advanced or Proficient levels on the PSSA math from 2002 to 2006, while district-run schools doubled their percent of students scoring at the Advanced or Proficient levels. At this rate of growth, the researchers calculated that EMO schools would equal the districts' achievement levels in less than five years, despite having started out at dramatically lower achievement rates.

Baltimore

In 1999, the Maryland State Department of Education (MSDE) restructured three elementary schools in the Baltimore City Public School System (BCPSS). The schools had failed to meet state standards and were put under EMO control. In 2000, the MSDE restructured a fourth school. The state selected Edison Schools to run the first three schools, while BCPSS hired Victory Schools to manage the fourth school. The MSDE granted Edison almost complete autonomy to operate their three schools, but BCPSS and the Baltimore Teachers Union extended Victory Schools limited autonomy over the operation of its school. The contract with Edison ran from 2000 to 2005 and was extended for an additional two years. In May 2004, at the urging of BCPSS officials, the state voted to terminate the contract with Victory Schools (Neufeld, 2009; Abell Foundation, 2005; Kowal & Arkin, 2005; Rhim, 2004).

- An evaluation conducted by Rhim (2004) concluded that achievement outcomes in the restructured schools were mixed within and across the four schools. Each school's School Performance Index (SPI), a weighted average of a school's distance from satisfactory standards on the Maryland School Performance Assessment Program (MSPAP), was obtained for three school years (2000-01 through 2002-03). The three Edison schools' SPI increased each year, but no SPI growth was found at the Victory school. The data pertaining to Adequate Yearly Progress (AYP) also revealed some positive outcomes at the three Edison schools, but not at Victory's school. All three Edison schools made AYP in reading, reading subgroups, math, and math subgroups. The Victory school made AYP only in one of the four categories (reading). These results led Rhim to note that even though Edison's schools demonstrated growth in their reading and math skills, the high cost of its contracts called into question the cost effectiveness of privatization as a use of state funds.

BCPSS signed a five-year contract with Education Alternatives, Inc. (EAI) to manage nine Baltimore City schools as "Tesseract schools" in 1992. The contract was terminated in December 1995 (one and one-half years early). Factors believed to lead to the early termination were the district's budget constraints and achievement gains that were not significantly greater than those of students districtwide (Leak & Williams, 1997; U.S. General Accounting Office, 1996).

- University of Maryland Baltimore County conducted two independent evaluations that compared student achievement at the EAI schools with a matched group of control schools. The evaluators found no significant differences between the gains in Comprehensive Test of Basic Skills (CTBS) reading and math scores of students at EAI schools, control schools, or BCPSS schools from 1991-92 to 1994-95. Change Index scores were also analyzed. The Change Index is based on a comparison of current-year

MSPAP results with the average of the two previous years and represents the percentage of improvement toward satisfactory performance. The evaluators found a slightly (but not significantly) greater rate of improvement for the EAI schools than in control or BCPSS schools (Leak & Williams, 1997).

- Analyses conducted by the U.S. General Accounting Office (1996) also found little difference in student achievement between EAI and control schools. Comparison of CTBS scores between students enrolled in EAI and control group schools from 1991-92 to 1994-95 revealed no significant differences in reading or math scores after adjusting for the presence of initial score differences. Analysis of MSPAP scores also found no significant differences between EAI and control group students in either reading or math.

Chester Upland, Pennsylvania

The Commonwealth of Pennsylvania intervened in Chester Upland School District (CUSD) after years of unsatisfactory student achievement scores across the district. In 2001, a state-appointed Board of Control (BOC) mandated EMO management of all of the district's 10 schools. The district opposed the contracting and fought to retain control of personnel, student recruitment, and accountability. Researchers concluded that CUSD became an example of how not to contract. After a protracted contracting process, the BOC eventually signed a contract with one EMO (Edison Schools) to manage nine of its 10 schools. Learn Now, which had been offered a contract to manage one elementary school, one middle school, and the district's one high school, merged with Edison. Mosaica was offered a contract to manage one elementary school, but opted out of the contract. Mosaica's school reverted back to district control. CUSD terminated its contract with Edison one year early after students posted only modest improvements in test scores (Hassel et al., 2006; Rhim, 2005).

- Rhim (2005) compared the gains in the percentage of students demonstrating proficiency on the PSSA prior to and after restructuring (2000 and 2004) at the four Edison-managed elementary schools and one district-run elementary school, which served as the control group. On the grade 5 reading test, one EMO elementary school matched the control group's gains and the three other EMO elementary schools recorded lower gains than the control group. In math, one EMO school exceeded the control group's gains, one EMO school matched the control group's gains, and two EMO schools recorded lower gains.

At the middle and high school levels, CUSD did not operate any middle schools against which Edison's gains could be compared. The four EMO middle schools recorded mixed academic progress. In reading, one middle school posted no gain in the percent of students meeting the proficiency standard on the grade 8 PSSA; gains ranged from 4 percent to 32 percent at the three other middle schools. In math, one school dropped 3 percent and gains at the other three middle schools ranged from 1 percent to 22 percent. At the high school level, growth in the percent of students meeting the proficiency standard on the grade 11 PSSA was relatively negligible (1 percent in reading and 3 percent in math) and the level of overall student performance in both reading and math remained low. Rhim (2005) concluded that at the beginning of the fourth year of restructuring, student achievement outcomes had not met expectations. Although all 10 CUSD schools had recorded some academic gains, PSSA test scores remained relatively low compared to the rest of the state.

- Martin (2005) reported that in 2004, only 17 percent of CUSD's high school students scored at the Proficient level in reading on the grade 11 PSSA and only six percent scored at the Proficient level in math.

Texas

The Sherman Independent School District (ISD) contracted with Edison in 1995 to operate one of its elementary schools and part of a middle school. Citing academic and financial concerns, the district did not renew the contract for the elementary school when it expired at the close of the 1999-2000 school year (American Federation of Teachers, 2000; Miron & Applegate, 2000).

- Miron and Applegate (2000) compared the performance of students enrolled at Sherman's Edison elementary school with the performance of students in a control group of 40 demographically similar schools. Analyses were based on growth on the Texas Assessment of Academic Skills (TAAS) over four years (1995-96 through 1998-99). Students at the control schools had greater gains than students at the Edison school in both reading and math in the first, second, and fourth years. During the third year, Edison students posted greater gains than the comparison group in both subjects.
- Parents Advocating School Accountability (2001) reported that TAAS scores improved the year after management of Sherman's elementary school reverted back to the district. Third grade students who averaged a 61 percent pass rate on the TAAS combined reading and math under Edison management in 2000 achieved a 73 percent pass rate as fourth graders in 2001 under Sherman ISD management.

The Dallas Independent School District contracted with Edison to operate seven elementary schools in 2001. The district stipulated that it could terminate the contract any time after two years if Edison students failed to perform as well or better than students attending comparable district schools. After two years of Edison management, Dallas was not satisfied with Edison's achievement results and terminated its contract for all seven schools (Nelson & Van Meter, 2003).

- The Texas Freedom Network (2005) reported that three of Edison's seven Dallas schools received the state's lowest accountability rating ("low-performing") in 2002. The other four Edison schools were rated just one category higher ("acceptable"). All seven Edison schools failed to outperform district-managed schools on the TAAS.

National Studies of Edison Schools

- Edison Schools asked Rand Corporation to conduct an independent analysis of achievement outcomes at its schools. Rand researchers analyzed test score data from over 100 Edison elementary schools (including both district-contracted and charter schools) across the country. They obtained reading and math scores on state tests for both Edison schools and schools serving similar populations in the districts and states in which the Edison schools were located. Analyses revealed that from 2002 to 2004, Edison schools showed gains in the proportion of their students achieving proficiency. Matched comparison schools also showed gains over this period, but Edison's gains were larger (although the difference between Edison and comparison schools' gains was significant only in math) (Gill et al., 2005).

A second analysis conducted by Gill and associates (2005) included only district-contracted (not charter) schools and included pre-Edison baseline data. Results indicated that Edison's state test scores improved as schools gained experience implementing the Edison model. Edison schools showed a decline in average proficiency rates between the pre-Edison year and the first year of Edison implementation. By the fifth year of operation, however, schools that remained under Edison management caught up to comparison schools in reading and exceeded the gains of comparison schools in math (although not significantly). The researchers concluded that including the first year of test scores in analyses reduces estimates of long-term effects. Improving trends in later years may only compensate for first year declines, leaving Edison schools on a par with comparison schools after four or five years.

To test the theory that Edison schools in operation for longer periods of time produced higher levels of academic achievement, Gill and associates (2005) conducted a third analysis, comparing Edison schools opened prior to 2000 to those opened in 2000 or later. They found slightly larger gains in schools that had operated under the Edison model for longer periods of time, but no significant differences between the gains of schools opened prior to 2000 and those opened after 2000. Analyses also compared achievement trends for Edison's charter versus district-contracted schools and elementary versus secondary schools and found no significant differences between any of the school types.

- Miron and Applegate (2000) studied performance at 10 Edison schools across the U.S. All of the schools had been operated by Edison for four or more contract years. They charted 99 achievement trends and concluded that students in Edison schools were achieving at levels similar to those of students in comparison schools. Edison students tended to post larger gains on norm-referenced tests (NRT) than on state or district criterion-referenced tests (CRTs), with students in Edison schools generally showing achievement gains consistent with grade level advancement on NRTs. In contrast, student performance on CRTs often lagged behind both district and state performance levels. The researchers explained the discrepancy between NRT and CRT findings by suggesting that Edison's curriculum might not be adequately oriented to mastery of state standards.

Miron and Applegate also compared their findings with those included in Edison's annual reports. They found a significant difference between the mean achievement ratings they had assigned to the 10 schools in their study and Edison's ratings of these same 10 schools. The researchers concluded that Edison students did not perform as well as Edison staff had claimed.

- Nelson and Van Meter (2003) studied 62 Edison schools that operated across the U.S. in 2000-01 to evaluate their longitudinal improvement. They found that Edison's older schools (opened prior to 1998-99) performed modestly better than its newer schools (opened during 2000-01), but still below the average of other comparable public schools. The researchers concluded that their analysis provided some support for Edison's contention that school performance improved the longer a school was managed by the company, but even Edison's older schools scored at below-average achievement levels.

Nelson and Van Meter also investigated Edison's assertion that its schools are closing the achievement gap between Black and other public school students. They compared predominantly Black schools managed by Edison to a comparison group of other public schools serving the same grades, taking the same achievement tests, and enrolling a similar proportion of low-income students. Their analysis provided "extremely modest" evidence that Edison schools with high concentrations of Black students were more likely to improve their achievement ranking in math, but not in reading, than students attending comparison schools. However, predominantly Black schools managed by Edison scored below average compared to schools in the comparison group.

- The U.S. General Accounting Office (2003) studied privately-managed schools in six cities across the U.S. (Cleveland, Denver, Detroit, Phoenix, St. Paul, and San Francisco). Differences in student performance on state assessments between privately-managed public schools and comparable, traditional public schools varied by metropolitan area. In Denver and San Francisco, the state assessment scores of students attending EMO schools were significantly higher in both reading and math than those of students attending similar traditional public schools. In addition, EMO students in Denver and San Francisco demonstrated significantly greater gains in test scores over time. In Cleveland and St. Paul, however, students attending EMO schools scored significantly lower in both reading and math on state assessments than did students attending similar traditional public schools. In Detroit, students attending six of the eight EMO schools scored significantly lower on state assessments in reading than students enrolled in traditional district schools; in math, students attending seven of the eight Detroit EMO schools scored significantly lower. Finally, in Phoenix, no significant score differences were found between students attending EMO and district-run schools in either reading or math.

In summary, research results are mixed, although most studies have found that students attending EMO-managed schools do not demonstrate significantly greater achievement gains than students enrolled in district-run schools. Students at EMO-managed schools demonstrate achievement gains consistent with grade level advancement on norm-referenced tests. On criterion-referenced state accountability tests, however, EMO students' scores tend to lag behind both district and state performance levels. This discrepancy may suggest that EMOs' curricula are not adequately preparing students for mastery of state standards.

Two studies also suggest that the performance of EMO students improves when the school has been in operation and fully implementing its educational model for longer periods of time (i.e., at least five years). Overall, the majority of researchers have found no evidence to support the contention that contracting out with EMOs is an effective method for restructuring low-performing schools.

Cost Analyses

Cost benefit analyses are difficult to accurately compute because most districts make only limited data available to the public. For example, per-pupil funding cannot be accurately estimated when teacher salaries (and how they differ across schools) and additional funding sources, including outside grants from charities, foundations, and federal agencies, are unknown (Byrnes, 2009; Peterson, 2007). In addition, the American Federation of Teachers (1998) noted that the cost of operating EMO schools may be underestimated because in some cases, food service and transportation still provided by the district are not included in the calculations. The Federation reported that food service, transportation, and district overhead add about 10 percent to per-pupil costs. They also noted that for-profit EMOs sometimes provide additional start-up funds for technology, staff development, and on-site training that are not factored into per-pupil reports.

Keeping these limitations in mind, descriptions of several districts' financial experiences with private contractors are summarized below.

- The Commonwealth of Pennsylvania contributed an extra \$75 million and the city of Philadelphia contributed an extra \$45 million so the district could implement its diverse provider model. Philadelphia's restructured schools received an extra \$450 to \$850 per student, depending on the contractor (for-profit EMO, nonprofit EMO, or university), compared to traditional district-run schools. Although Philadelphia's restructured schools received extra funds to operate their schools, analyses of students' academic achievement indicated that at best, students at restructured schools kept pace with students attending the district's traditional schools (Byrnes, 2009; Mac Iver & Mac Iver, 2006; Useem, 2005).
- A 2005 report by the nonprofit Abell Foundation found that although district-run schools, on average, posted greater increases in test scores, the cost of running Baltimore's three Edison schools exceeded that of the district's other schools. Per-pupil administrative costs at the Edison schools were almost twice as high as the costs at schools run by the Baltimore City Public School System.
- Edison schools cost districts in Texas far more than other public schools. For example, the Tyler Independent School District found that an Edison-run middle school cost approximately \$500,000 more per year than a district-run school. In the Sherman Independent School District, officials reported that their contract with Edison Schools to run one elementary school cost them as much as \$4 million more than expected because of hidden costs in the Edison contract (Texas Freedom Network, 2007; Miron & Applegate, 2000; Walsh, 2000).

On a Local Note

In December 1995, Miami-Dade County Public Schools (M-DCPS) signed a contract with Edison Schools to take over the operation of Henry E.S. Reeves Elementary School. The contract was for a period of five years, beginning with the 1996-97 school year. Edison promised an innovative approach to education that included an extended school day and year and providing parents with computers at home. Edison received funds comparable to the district's other schools, but adjusted to reflect the unique aspects of its operation, such as an extended school day and year. Edison retained excess funds as profit. In 2001, the School Board of Miami-Dade County renewed Edison's contract for five more years, but the contract was terminated in 2005. Edison's management of Reeves Elementary had been fraught with conflict, including an investigation into one teacher's violation of the School Board's anti-corporal punishment rule, controversy surrounding the school's principal, and accusations of inadequate supplies and insufficient textbooks (Miron & Applegate, 2000; Shay, 2000; Kissell, 1999).

- Evaluations conducted by M-DCPS' Office of Educational Accountability found that by the third year of Edison management, only the Stanford Achievement Test (SAT) reading performance of Reeves students had risen to a level comparable to the performance of a group of control students. On the math portion of the SAT and on the Florida Writes, Reeves students had not yet reached levels of performance comparable to control students. Although results in the three subject areas indicated some gains for Reeves students, their absolute scores were still well below district and state averages (Gomez & Shay, 2000).
- Shay (2000) conducted a longitudinal analysis of Reeves Elementary students' achievement outcomes. She examined the 1996-97 to 1998-99 SAT scores of Reeves students and compared them to the scores of a control group. Two panels of students were formed: Panel A students progressed from second to fourth grade and Panel B students progressed from third to fifth grade. Control groups for each panel were formed through random selection of students attending other district schools, matched on ethnicity, socioeconomic status, and prior achievement levels. Analyses found no significant differences in achievement, as measured by the SAT reading and math subtests, between Reeves and control group students for either panel of students. Shay concluded that, after three years of exposure to the Edison model, students enrolled at Reeves Elementary were not achieving at higher levels than comparable students enrolled in other M-DCPS schools.
- Miron and Applegate (2000) compared the academic performance of students attending Reeves Elementary with students districtwide and statewide. They found that students attending Reeves scored lower than the district's students and students statewide on the 1997-98 reading, writing, and mathematics portions of the FCAT. However, an analysis of gain scores revealed that Reeves students gained more than students in both the district and state over a two-year period on all three portions of the test.

In 1990, M-DCPS entered into a five-year contract with Educational Alternatives, Inc. (EAI), a for-profit EMO, to manage the educational services at South Pointe Elementary School. EAI used an approach called the Tesseract way. Tesseract is a learner-centered approach that encourages the use of personalization to meet students' educational needs, as well as high levels of parent involvement. Instruction at South Pointe focused on students' individual ability levels and progress was assessed through narrative discourse, rather than traditional grades. EAI agreed to raise \$1.4 million for the first three years of the project and an additional \$700,000 for the next two years to implement its instructional approach. The district was responsible for managing all other aspects of the school, such as budget, food service, and building maintenance and repair. The funds raised by EAI were used to support additional staff, staff training, the purchase of specialized instructional materials and equipment, and EAI consultation fees. The money was controlled and disbursed by the district. The district's contract with EAI was not renewed when it expired in June 1995 (Edwards, 1997; U.S. Government Accounting Office, 1996).

- An evaluation conducted by M-DCPS' Office of Educational Accountability (Abella, 1994) concluded that after two years of program implementation, South Pointe students did not improve their academic skills beyond what they would have achieved had they attended a district-run school. Although the standardized test scores of students at South Pointe increased, they improved at a rate similar to that of students in a matched comparison school. It should be noted that a significant improvement in attendance rates was found at South Pointe relative to the comparison school, with absences declining an average of 1.6 days per student (from 10.5 in school year 1990-91 to 8.9 in school year 1992-93). In addition, researchers found more favorable attitudes toward school in general among students in grades 4-6 and high levels of parent and community involvement (Edwards, 1997; U.S. General Accounting Office, 1996).

Table 2 contains an overview of the research reviewed in this report and specifies the studies' authors, location studied, and whether results generally supported EMOs' ability to increase students' academic performance, compared to traditional, district-run schools. It should be noted that this report included studies that were generally considered methodologically sound.

Table 2. Overview of Research Findings

| Author | Location Studied | Findings Support EMO |
|--------------------------------------|--------------------|----------------------|
| Gill & Associates, 2007 | Philadelphia | No |
| Mac Iver & Mac Iver, 2006 | Philadelphia | No |
| Useem, 2005 | Philadelphia | No |
| Byrnes, 2009 | Philadelphia | No |
| Christman, Gold, & Herold, 2006 | Philadelphia | No |
| Peterson & Chingos, 2009 | Philadelphia | Mixed |
| Peterson, 2007 | Philadelphia | Mixed |
| Center for Education Reform, 2007 | Philadelphia | Yes |
| Rhim, 2004 | Baltimore | Mixed |
| Leak & Williams, 1997 | Baltimore | No |
| U.S. General Accounting Office, 1996 | Baltimore | No |
| Rhim, 2005 | Chester Upland, PA | No |
| Miron & Applegate, 2000 | Texas | Mixed |
| Gill & Associates, 2005 | Nationwide | Mixed |
| Miron & Applegate, 2000 | Nationwide | No |
| Nelson & Van Meter, 2003 | Nationwide | No |
| U.S. General Accounting Office, 2003 | Nationwide | Mixed |
| Gomez & Shay, 2000 | M-DCPS | No |
| Shay, 2000 | M-DCPS | No |
| Miron & Applegate, 2000 | M-DCPS | Mixed |
| Abella, 1994 | M-DCPS | No |

Summary

The No Child Left Behind Act of 2001 requires chronically low-performing schools to engage in restructuring to improve student achievement. This report focused on one of those options: contracting with educational management organizations (EMOs) to operate schools. Advantages and disadvantages of EMOs were summarized and guidelines for school districts to follow to ensure a successful contracting process were reviewed, such as engaging in a rigorous selection process, involving stakeholders, clearly articulating roles and responsibilities, and giving EMOs the flexibility and autonomy they need to effectively manage their schools.

Research conducted on privately-managed schools has produced mixed results; however, the majority of studies have found that students attending EMO-managed schools do not demonstrate significantly greater achievement gains than students enrolled in traditional district-run schools. Most researchers have found no evidence to support the contention that contracting out with EMOs is an effective option for restructuring failing schools. Studies conducted on the private management of two Miami-Dade County Public Schools in the 1990s also found that students attending EMO schools did not achieve at higher levels than comparable students enrolled in the district's other schools. Cost analyses are difficult to compute accurately, but several school districts' experiences with privately-managed schools suggest they may cost more to operate than traditional district-managed schools.

References

- The Abell Foundation. (2005). Responsible Public Policy Calls for Appraisal of the Cost/Benefit. *The Abell Report*, 18(3), September/October 2005. Retrieved from <http://www.abell.org/pubsitems/arn905.pdf>.
- Abella, R. (1994). *Evaluation of the Saturn Project at South Pointe Elementary School*. Miami-Dade County Public Schools, Miami, FL.
- American Federation of Teachers. (1998). *Student Achievement in Edison Schools: Mixed Results in an Ongoing Enterprise*. ERIC Document Reproduction Service No. ED461169.
- American Federation of Teachers. (2000). *Trends in Student Achievement for Edison Schools, Inc.: The Emerging Track Record*. Retrieved from <http://www.aft.org/research/downloads/charter/Edison2000.pdf>.
- Borja, R.R. (2006). Analysts Debate Long-Term Viability of EMO Model. *Education Week*, 25(44), August 8, 2006.
- Bracey, G. (2002). *The Market in Theory Meets the Market in Practice: The Case of Edison Schools*. Education Policy Research Unit, Arizona State University, Tempe, AZ.
- Byrnes, V. (2009). Getting a Feel for the Market: The Use of Privatized School Management in Philadelphia. *American Journal of Education*, 115 (May 2009), 437-455.
- The Center for Education Reform. (2007). *The Philadelphia Story: Educational Progress in the City of Brotherly Love*. CER Policy Alert, January 30, 2007. Retrieved from http://www.edreform.com/upload/CER_PhiladelphiaStory2007.pdf.
- Christman, J.B., Gold, E., & Herold, B. (2006). *Privatization "Philly Style:" What Can Be Learned from Philadelphia's Diverse Provider Model of School Management?* Research for Action. Retrieved from http://pdf.researchforaction.org/rfapdf/publication/pdf_file/37/Christman_J_Privatization_Phillly_Style_2006.pdf.
- Comprehensive School Reform Quality Center. (2006a). *Choosing an Education Contractor: A Guide to Assessing Financial and Organizational Capacity*. Retrieved from <http://www.csrq.org/documents/CSRQConsumerGuide08-01-06.pdf>.
- Comprehensive School Reform Quality Center. (2006b). *CSRQ Center Report on Education Service Providers*. Retrieved from http://www.csrq.org/documents/ESPCSRQReport-Full_000.pdf.
- Edwards, D.L. (1997). *The Private Management of Public Schools: The Dade County, Florida, Experience*. Paper presented at the Annual Meeting of the American Educational Research Association, Chicago, IL, March 1997. ERIC Document Reproduction Service No. ED407740.
- Gill, B.P., Hamilton, L.S., Lockwood, J.R., Marsh, J.A., Zimmer, R.W., Hill, D., et al. (2005). *Inspiration, Perspiration, and Time: Operations and Achievement in Edison Schools*. RAND Corporation. Retrieved from http://www.rand.org/pubs/monographs/2005/RAND_MG351.pdf.

- Gill, B., Zimmer, R., Christman, J., & Blanc, S. (2007). *State Takeover, School Restructuring, Private Management, and Student Achievement in Philadelphia*. RAND Corporation. Retrieved from http://www.rand.org/pubs/monographs/2007/RAND_MG533.pdf.
- Gold, E., Simon, E., Cucchiara, M., Mitchell, C., & Riffer, M. (2007). *A Philadelphia Story: Building Civic Capacity for School Reform in a Privatizing System*. Research for Action. Retrieved from <http://www.researchforaction.org/publication/details/368>.
- Gomez, J.J., & Shay, S.A. (2000). *Evaluation of the Edison Project School Third Interim Report: 1997-98 School Year*. Miami-Dade County Public Schools, Miami, Florida.
- Hassel, E.A., Hassel, B.C., Arkin, M.D., Kowal, J.M., & Steiner, L.M. (2006). *School Restructuring Under No Child Left Behind: What works When? A Guide for Educational Leaders*. Learning Point Associates. Retrieved from <http://www.centerforcsri.org/files/RestructuringGuide.pdf>.
- Hentschke, G.C., Oschman, S., & Snell, L. (2002). *Education Management Organizations: Growing a For-profit Education Industry with Choice, Competition, and Innovation*. Reason Foundation Policy Brief 21. Retrieved from <http://www.policyarchive.org/bitstream/handle/10207/5975/pb21.pdf?sequence=1>.
- Hentschke, G.C., Oschman, S., & Snell, L. (2003). *Trends and Best Practices for Education Management Organizations*. WestEd. Retrieved from http://www.wested.org/online_pubs/PP-03-02.pdf.
- Kissell, T.B. (1999). A Lesson in Mismanagement. *Miami New Times*, May 20, 1999.
- Kowal, J.M., & Arkin, M.D. (2005). *Contracting With External Education Management Providers*. Learning Points Associates. Retrieved from <http://www.centerforcsri.org/pubs/restructuring/knowledgeissues3Contracting.pdf>.
- Kowal, J., & Hassel, B.C. (2006). *Starting Fresh in Low-Performing Schools: Establishing the Right Relationship Terms*. National Association of Charter School Authorizers. Retrieved from http://www.qualitycharters.org/files/public/Start_Fresh_Book_4.pdf.
- Leak, L.E., & Williams, L.C. (1997). *Private Management of Public Schools: The Baltimore Experience*. Paper presented at the Annual Meeting of the American Educational Research Association, Chicago, IL, March 1997. ERIC Document Reproduction Service No. ED407731.
- Levin, H.M. (2002). Potential of For-Profit Schools for Educational Reform. *International Journal of Entrepreneurship Education*, 2(1), 1-18.
- Mac Iver, M.A., & Mac Iver, D.J. (2006). *Privatizing Education in Philadelphia: Are Educational Management Organizations Improving Student Achievement?* Paper prepared for presentation at the Annual Meeting of the American Political Science Association, Philadelphia, PA, August-September, 2006. Retrieved from http://www.ncspe.org/publications_files/OP141.pdf.
- Martin, M. (2005). After Bailout, Privatization, School District Starts Over. *ABC News*, July 2, 2005.
- Miron, G., & Applegate, B. (2000). *An Evaluation of Student Achievement in Edison Schools Opened in 1995 and 1996*. The Evaluation Center, Western Michigan University, Kalamazoo, MI. Retrieved from <http://www.wmich.edu/evalctr/edison/edison.html>.

- Miron, G., & Urschel, J. (2008). *Profiles of Nonprofit Education Management Organizations: 2007-2008*. Education and the Public Interest Center, University of Colorado at Boulder. Retrieved from <http://epicpolicy.org/files/profiles-nonprofit-education-management-organizations-2007-2008.pdf>.
- Molnar, A., Miron, G., & Urschel, J. (2008). *Profiles of For-Profit Educational Management Organizations: Tenth Annual Report*. Education and the Public Interest Center, University of Colorado at Boulder. Retrieved from <http://epicpolicy.org/files/EMO0708.pdf>.
- National Center for the Study of Privatization in Education. (n.d.). *For-Profit Schools*. Retrieved from http://www.education.com/reference/article/Ref_What_profit_schools/.
- Nelson, F.H., & Van Meter, N. (2003). *Update on Student Achievement for Edison Schools Inc.* American Federation of Teachers, Washington, D.C. ERIC Document Reproduction Service No. ED475615.
- Neufeld, S. (2009). Edison's Future at Two City Schools At Risk. *Baltimore Sun*, March 22, 2009.
- Parents Advocating School Accountability. (2001). *Test Scores Rise After Texas District Severs For-Profit Contract*. Retrieved from <http://www.pasasf.org/edison/pdfs/sherman2.pdf>.
- Patterson, C. (2005). Private Sector Solutions for Failing Public Schools. *Texas Public Policy Foundation*. Retrieved from <http://www.texaspolicy.com/pdf/2005-11-EMOs-pb.pdf>.
- Peterson, P.E. (2007). *School Reform in Philadelphia: A Comparison of Student Achievement at Privately-Managed Schools with Student Achievement in Other District Schools*. Program on Education Policy and Governance, Kennedy School of Government, Harvard University, Cambridge, MA. ERIC Document Reproduction Service No. ED498041.
- Peterson, P.E., & Chingos, M.M. (2009). For-Profit and Nonprofit Management in Philadelphia Schools. *Education Next*, spring 2009, 65-70.
- Rhim, L.M. (2004). *Restructuring Schools in Baltimore: An Analysis of State and District Efforts*. Education Commission of the States. Retrieved from <http://www.ecs.org/html/Document.asp?chouseid=5326>.
- Rhim, L.M. (2005). *Restructuring Schools In Chester Upland, Pennsylvania: An Analysis of State Restructuring Efforts*. Education Commission of the States. Retrieved from <http://www.ecs.org/clearinghouse/57/85/5785.pdf>.
- Shay, S.A. (2000). *A Longitudinal Study of Achievement Outcomes in a Privatized Public School: A Growth Curve Analysis*. Unpublished doctoral dissertation, University of Miami, Coral Gables, FL.
- Texas Freedom Network. (2007). *Briefing Paper: Edison Schools, Inc. Privatization Earns a Failing Grade*. Retrieved from <http://www.tfn.org/site/PageServer?pagename=edison>.
- U.S. General Accounting Office. (1996). *Private Management of Public Schools: Early Experiences in Four School Districts*. Report to Congressional Committees, April 1996. ERIC Document Reproduction Service No. ED397518.

U.S. General Accounting Office. (2002). *Insufficient Research to Determine Effectiveness of Selected Private Education Companies*. Report to the Ranking Minority Member, Subcommittee on the District of Columbia, Committee on Appropriations, House of Representatives. Retrieved from <http://www.gao.gov/new.items/d0311.pdf>.

Useem, E. (2005). *Learning from Philadelphia's School Reform: What Do the Research Findings Show So Far?* Research for Action Occasional Paper presented at the No Child Left Behind Conference sponsored by the Sociology of Education Section of the American Sociological Association, Philadelphia, PA, August 2005. Retrieved from http://pdf.researchforaction.org/rfapdf/publication/pdf_file/213/Useem_E_Learning_from_Philadelphia_School_Reform_so_far.pdf.

Walsh, M. (2000). Edison Renews Four Contracts, Cuts Ties Elsewhere. *Education Week*, 19(20), January 26, 2000.

