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## Calculating the Benefits and Costs of For-Profit Public Education

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### Abstract

As a policy initiative, for-profit operation of public schools has not lived up to the claims of its proponents. An examination of issues such as teaching methods, academic achievement, autonomy, local control, and the image and influence of for-profit public schools suggests that "for-profits" are unlikely to succeed in the long term in improving the overall quality of public education. They do, however, seem capable of harming public schools.

Often referred to as Education management organizations (EMOs) for-profit firms have promised that their schools would be laboratories for educational innovation, offer alternatives to rigid public school bureaucracies, and produce gains in student achievement far outpacing those of regular public schools. The evidence suggests that they have not delivered on their promises, and logic suggests that they cannot do so.

## **Introduction**

The last decade has given birth to a new industry that seeks to turn the publicly funded task of educating the nation's children into a source of private wealth. Education management organizations (EMOs) and their supporters argue that, driven by the incentive of a potential profit, EMOs can use public dollars to provide children with a better education than they receive in conventional public schools at no greater cost to the taxpayer. They have promised to be laboratories for educational innovation, to offer nimble and flexible alternatives to rigid public school bureaucracies, and, freed from many of the so-called constraints presented by those bureaucracies, to produce gains in student achievement far outpacing those of regular public schools. And they have promised they can do all those things and still make money for investors.

The evidence suggests that they have not delivered, and logic suggests that they cannot do so. As a group, for-profit EMOs have not been true laboratories of educational innovation. They have not produced promised gains in academic achievement. With a few exceptions, they have not even managed to return a profit.

As operators of charter schools for-profit EMOs have turned a core selling point for the charter school reform on its head. Where promoters of charters envisioned grass-roots, flexible alternatives to top-down schools ruled by distant, rigid, public school bureaucrats, the typical EMO-run charters appear instead to have substituted a private bureaucracy with all the characteristics of a public one, except for public accountability.

The for-profit EMOs have at times shown a willingness to bend facts over matters ranging from the seemingly innocuous, such as how many schools they operate, to core issues, such as student test scores. And despite important questions about their efficacy, they have managed to win political friends and influence, at times writing the very laws that grant EMOs access to millions of dollars of taxpayers' money. Where they have operated, they frequently have tended to focus on serving those students whose education costs less while leaving to the existing public schools the cost of teaching those students whose backgrounds, family situations and living conditions demand the most resources.

They have done all these things while managing to persuade politicians, editorialists, civic leaders and some members of the public precisely the opposite: that they are innovative, creative and bold institutions that have succeeded in significantly advancing achievement for the students they serve.

The weight of evidence to date strongly suggests that for-profit companies cannot fulfill the important public task of educating children to serve as free and responsible citizens in a democratic society and as participants in a complex and changing economy, certainly not for less than we are already spending. EMOs cannot help but add to the expense of properly educating our nation's children, for two reasons. First, at some point, they will need to provide a return on shareholders' investment, money that would otherwise be available to enhance the educational system. Second, they will inevitably require an additional layer of oversight to ensure that public dollars are not improperly diverted to private gain. By their very nature, EMOs would seem to result in a more expensive—and no more effective—alternative to conventional public schools with which they say they seek to compete.

## **Size and Scope of the Industry**

For-profit management of public schools takes two general forms: the

## Teaching Methods

A central justification for charter schools is that they will foster innovation in curricula and teaching methods. Innovation is a key promise made by virtually every for-profit company that markets itself to school districts or community groups as a prospective manager of charter schools.

Some innovations claimed by charter school operators, however, are in fact available to, and used by, public schools without the benefit of a contracted third party. Edison, for instance, has not developed its own curricula, but largely relied on already available ones such as the "Success for All" reading program and a math curriculum developed by the University of Chicago (Guthrie, 2001).

Other innovations offer questionable results, at least as they are practiced. For example, a number of charter schools rely on Direct Instruction (DI), a highly scripted approach to teaching that focuses on group rote learning and memorization. "The underlying premise of Direct Instruction is to capture what works best in teaching and attempt to avail all of our teachers of these best practices," said Wilson of Advantage, where DI is the linchpin of the company-wide curriculum. DI, he continued, "has developed lessons and refined, iterated, and polished them over 20 years to the point where they very reliably work for a diverse population of students." Wilson asserted that DI "has a history of generating remarkable results" (personal communication, February 7, 2001).

To be sure, Direct Instruction has demonstrated its ability to raise, for instance, reading test scores. But the long-term benefits of DI are less clear. And Advantage's own use of DI does not live up to the claims the company has made in selling its charter schools to parents. In 1998, as Advantage was busy selling parents in Jersey City, N.J., on the benefits of its soon-to-be opened charter school there, New York Times writer Michael Winerip visited an Advantage-run school in Rocky Mount, N.C., where company officials bragged that every kindergartner could read. There he observed DI drills in reading and math in which children performed well using materials with which they were familiar. When Winerip presented low-level reading books to three children who had been identified by a teacher as among those who could read, however, he found that the children could not pick out simple words including "I", "the", "my", or "house" in the context of a story that they had not previously encountered in the DI drills (Winerip, 1998). Wilson claims that the incident followed unreported instances in which children read satisfactorily (personal communication, February 7, 2001). Winerip says that is absolutely not the case. Indeed, he says, the point of his exercise was less about the school's teaching quality than to point out the degree of hucksterism surrounding the for-profit EMO business. That hucksterism, he says, was reflected in the claims of Advantage employees that all its kindergartners could read and that older children routinely read the Iliad and the Odyssey—claims that he demonstrated were not borne out by the facts (Winerip, 1998; personal communication, February 14, 2001).

The use of DI in local schools enforced by a distant, centralized corporation has also at times alienated teachers, who have complained they lacked the ability to adjust the curriculum to respond to the needs of their individual students (Woodward, 2000). That would seem to be an ironic outcome in light of the stated *raison d'être* of charter schools—to create schools that are freed from the heavy hand of public school bureaucrats. It is not clear why the heavy hand of corporate bureaucrats should be preferred.

There is also no evidence that charter schools, whether operated by for-profit or non-profit organizations, are serving as laboratories from which public schools might benefit. An in-depth examination of 17 California charter schools found that only one of 10 school districts used its charter schools as such laboratories, and that only one charter principal (at a non-profit school) engaged in any active collaboration with the local public school (Wells, 1998). As constructed, the state's charter school network lacked any framework or structure for such collaboration to take place.

The proprietary nature of for-profit EMOs' curricula seems certain to further discourage any sharing of information that might enable students in an entire school system to benefit in a way that would live up to the promises of charter schools. Several for-profit firms, including SABIS, White Hat Management and Mosaica, promote proprietary curricula. Edison's contract with San Francisco states that the company

shall own all copyright and other proprietary rights to all instructional materials, training materials, curriculum and lesson plans, and any other materials developed by Edison, its employees, agents or subcontractors, or by any individual including District employees working for, or supervised by, Edison which is developed during working hours or during the time for which the individual is being paid. Edison shall have sole and exclusive right to license such materials for use by other school districts and customers... The District shall take all measures reasonably necessary to assure that no District personnel or agents disclose, publish, copy, transmit, modify, alter or utilize Edison's proprietary information without Edison's written consent unless otherwise required by law. ("Charter School Management Agreement", 1998)

Such a sweeping assertion of rights would appear to eliminate any possibility that Edison's charter schools would share innovative practices and curricula with other schools.

## **Educational Results**

The yardstick by which public schools are measured today is almost always test scores, and EMO companies have emphasized test scores as evidence of their success. On March 28, 2001, Advantage posted on its web site a news release indicating its students had gained 9.1 percentile points on average in test scores across the 1999-2000 school year for its entire national system of schools (Advantage Schools, 2001). Such self-interested claims have been routinely and uncritically reported.

Independent studies, however, have not tended to confirm such reports. Among the most extensive studies of charter schools is one conducted in Michigan by the Evaluation Center at Western Michigan University. The study, by Horn and Miron, looked at the performance on state achievement tests by students from charter schools and non-charter schools, and compared as well the performance of charter schools operated by EMOs and those not run by EMOs. Overall, charter schools showed no net increase in their students' pass rates—the percentage of students in a school who passed those tests—from the 1995-'96 school year to the 1999-2000 school year, while public school districts where those charters were based saw their pass rates rise from 49.4% in 1995-'96 to 68% in 1999-2000 (Horn & Miron, 2000, p. iv.). EMO charter schools and non-EMO charter schools had similar pass rates over the four-year period, Horn and

Miron found.

Edison considered questions about its data serious enough to hire the RAND Corp. to provide an independent analysis of its scores. "There have been accusations that they were cherry-picking better-performing schools to include in their analysis," Silber says (personal communication, February 1, 2000). In San Francisco, where a new school board philosophically opposed to privatizing public schools has threatened to cancel Edison's contract to operate a charter elementary school, the fact that 35 % of the school's fifth-graders scored at national averages on reading tests in the spring of 2000—up from 24 % the year before—has been widely publicized as evidence of the school's success. But more complex, and more ambiguous, findings at the very same school have been less widely publicized. In the spring of 2000, under Edison, 28.5% of the school's fifth graders scored in the top two quartiles on reading tests. The previous year, before Edison took over, the figure was 17.7%, making the operation's results seem particularly impressive. Yet in the year before that, the number scoring in the top two quartiles was 29.2 %—higher than what Edison has to date accomplished (Woodward, 2001). Moreover, demographic data for the school showed that the post-Edison improvement occurred as the school's population was shifting, with a decline in the number of students qualifying for free or reduced-price lunches—a standard indicator of poverty—and a decline in the number students with limited English proficiency, both factors that may explain by themselves an increase in test scores (Roth, 2000). An investigation of the San Francisco school by the city's superintendent of schools produced a number of allegations against the company, including questionable financial procedures (Ackerman, 2001). The same investigation also raised questions about whether Edison discriminated against African-American students and those requiring special education in composing the school's student body. Ackerman also reports that test-score gains at the Edison school were matched by gains at other district schools that were not in the charter program, and cited evidence suggesting that the school's gains were an artifact of demographic changes including an increase in the number of students from higher-income and English-speaking families and a decrease in the number from lower-income, non-English-speaking families.

Parents in New York City also apparently have doubts about Edison's potential for success. Parents of children at all five of the schools eligible for conversion to Edison run schools appeared to reject the opportunity to have Edison run these schools—a majority of them did not even vote. Those parents who did participate in the vote that ended on March 30, 2001, in effect, voted against the conversion (Wyatt, April 1, 2001; Wyatt & Goodnough, 2001). The New York parents had cause for concern. For example, while Edison was lobbying to run schools in New York City, trouble was brewing in the Edison-run Inkster, Mich., schools. Despite hiring Edison, the Inkster schools failed to meet state academic standards. As controversy erupted between school board and representatives of Edison schools, Arthur Ellis, Michigan's state schools superintendent, indicated the state will step in if Edison Schools requests help ("Inkster Schools," 2001).

A San Francisco group opposed to Edison's operation of the school there has found further discrepancies between what the company claims it has accomplished and what other institutions report. In recent press releases dated February 12, 14, and 19 of 2001, the organization, Parents Advocating School Accountability (formerly San Francisco Parents for Charter School Accountability), reported that:

- While Edison claims on its web site that at its San Francisco school, 79% of students qualified for free or reduced-price lunches in the 1999-2000 school year, the San Francisco Unified School District data for the same school put the number

much lower, at 58.2%. The lower figure would suggest a lower proportion of students living in poverty, a well-known risk factor for lower educational achievement.

- Edison's claims that in the 1999-2000 year 95% of the school's students in grades 2 through 5 took the California STAR test, the statewide test used to measure student achievement, were contradicted by data that showed only 247 of 322 students in those grades were tested, or 73.5%. Similarly, in the 1998-'99 school year, Edison reported that 86% of students in grades 2 through 5 were included in STAR testing, but the real figure was 210 of 284 students, or 72.5%. Deliberately excluding students who might be thought to score lower on tests can inflate a school's test scores overall.
- Edison has benefited from the release of a wildly erroneous statistic that, prior to its takeover, just 2% of the school's 5th graders scored at or above the national average in reading. (The correct figure is 35%.) The company has denied being the source of the datum, which nonetheless found its way into editorial columns in *The Wall Street Journal* and *The Economist* criticizing plans by the newly elected majority on the San Francisco Unified School Board to revoke the school's charter.

Finally, a recent examination of test scores for 10 Edison schools that were opened in 1995 or '96 sharply contradicted the company's own assertions about its schools' performance. The paper, published by The Evaluation Center at Western Michigan University, found that:

- On norm-referenced tests, the Edison students' achievement gains were consistent with grade level advancement, but did not consistently exceed grade level expectations, contrary to Edison claims (Miron & Applegate, 2000, p. xxii.).
- criterion-referenced tests, students often lagged behind district performance and almost always behind state performance, with Edison students in nearly half of the examined trends making smaller gains than comparison groups. In another 40% of trends, Edison students' gains were similar to those of local districts and other comparison groups, while in only 10% did they make gains larger than those of comparison groups (p. xxiii.).

The results, the authors say, suggest "that the expectations of district and charter school boards that contract with Edison as well as the expectations of parents who enroll their children in an Edison school are not being met" (p. xxiv.).

Edison Schools is not the only for-profit firm being challenged by school boards. Trustees of Mosaica Academy Charter School in Bensalem, Pa., voted April 18, 2001, to end their contract with Mosaica Education, Inc. They explained their action: "As a public agency entrusted with the responsibility of spending public funds wisely, we did not think we were receiving any value from our relationship with [Mosaica Education]," trustees President Kathleen Harr said. (Yanoshek, 2001 [b] ) In a twenty-eight page report issued in April, the school board reported concerns about a curriculum that included inappropriate lessons for some grade levels, inadequate computer systems, and mishandled payments to vendors (Yanoshek, 2001 [a] ). School officials stressed that the school would not close if it separates itself from Mosaica Education.

## **Autonomy and Local Control**

The for-profit EMO industry is still early in its development, but already some companies are losing contracts even as they gain new ones. Advantage has lost four contracts: in Malden, Mass., Albany, N.Y., Chicago, and one of its first, the Rocky Mount, N.C. charter school that Advantage salespeople had used as a showcase when selling their services to parents in Jersey City (Winerip, 1998). The loss of the New Covenant School contract in Albany was due to many things, says New York State Assemblyman Steve Sanders, who chairs the assembly's education committee, among them the rush by local founders to start the school and the lax oversight of the State University of New York Board of Trustees and the state Board of Regents. But Advantage was remiss in not urging its local partners to slow down and take their time, Sanders says. "They should have made an indication that this just wasn't ready" (personal communication, January 26, 2001).

The circumstances surrounding the termination of the Rocky Mount contract were the subject of a sealed, out-of-court agreement between the company and the school's founders that binds both parties to secrecy (R. Mauldin, personal communication, February 7, 2001). The existence of such an agreement at all involving an entity that is spending public funds contradicts the very notion of open and accountable operation that is at the heart of good government, and is further evidence that the charter and for-profit alternatives to public schools are being held to a lower standard of accountability than the public institutions for which they purport to be setting an example.

While bound by the agreement not to discuss details, it is clear from their general discussions the two parties have rather different views of why the contract was terminated—views that cannot be evaluated for accuracy or completeness without access to the sealed record. Advantage CEO Steve Wilson blames the loss of the contract on a dispute over rebuilding the school in the aftermath of Hurricane Floyd, which flooded out the school building (personal communication, February 7, 2001). Mauldin, chairman of the school's board, suggests the issues were larger, however: "Our basic difference with Advantage was that when we entered into an agreement with them to be our manager, we looked at them more as advisors, [while] they looked at us as just being an operator of one of their schools." The school has continued to operate with largely the same personnel under the direct supervision of its board (R. Mauldin, personal communication, February 7, 2001).

In Michigan, Horn and Miron note, the tendency of national EMOs to assert authority over local charter schools violates the very reasons for establishing charter schools in the first place:

Although charter schools are intended to have their own boards with decisions made locally, the growing involvement of EMOs has had an impact on the local control. Edison advertises itself as the first national school system. National Heritage Academies, Beacon Education Management, Advantage, and others are also establishing national networks/systems of charter schools. This movement results in local governance being replaced by decisions made halfway across the country. This is clearly not what was intended when charter schools were legislated in Michigan or in other states. (Horn & Miron, 2000, p. 48)

In their influential book *Politics, Markets, and America's Schools*, Chubb and Moe (1990) speculated that because private schools have more autonomy than public schools they are more likely to have higher student achievement. Glass, however, challenged this speculation. In a study comparing the autonomy of public and

independent college preparatory schools Glass found that:

The feelings expressed by both public and private school participants in this study testify to equally high degrees of autonomy. Issues that emerged from data analysis in this study which mitigate and shape autonomy include the following: conflicting and contradictory demands, shared beliefs, layers of protection, a system of laws, funding constraints and matters of size of the institution. These issues challenge oversimplified assertions that differences of any importance exist between the autonomy experienced by professionals in public and private high schools. (Glass, 1997, para. 2)

## **Image and Influence**

With such a spotty history, both for investors and for the communities whose children they proposed to educate, why have EMOs managed to grow so swiftly, attracting both investment dollars and new contracts to operate schools?

One reason may be the success that industry participants have had in exaggerating their own accomplishments. Such exaggeration has already been shown in the preceding discussion of test scores. It is also reflected in other ways, particularly in their efforts to draw more capital from prospective investors. Edison Schools, for instance, has been criticized by the financial press for inflating the reported number of schools it manages and for the way in which it has calculated the profitability of individual schools (Greenberg, 2000). Edison isn't alone. In reporting Advantage's quarterly profit for the first quarter of FY 2001, Wilson at first indicated that such was "a first for the education management organization industry." When it was pointed out to him that five other such companies have been reported, either by themselves or by outside observers, to be profitable, he acknowledged that he had misspoken (S. Wilson, personal communication, February 7, 2001).

The industry has a financial stake in perpetuating an image of success if it is to continue to win additional contracts. For that reason, unverified claims of the EMOs' financial gains and prospects should be regarded with great skepticism. Unfortunately, outside observers to whom the public and investors might turn for an unbiased assessment of the industry also stand to gain or lose from public impressions. For example, Merrill Lynch—the firm that predicted for-profits will within the next 15 years manage 10% or more of the funds to educate public school students—has managed offerings of Edison's stock ("Edison Schools Announces", 2000), a fact that demands that the claims of Merrill Lynch analysts about the industry's future be closely questioned. Any analyst whose company has a stake in advancing the inevitability of a commercial trend appears to have an unavoidable conflict of interest, and for-profit EMOs are no exception. The fallout from the dot-com stock crash is instructive. As *The New York Times* recently observed, some securities analysts have appeared to be little more than cheerleaders for the companies whom their investment-banking colleagues were financing: "The fact is, although brokerage firm stock gurus are still called analysts, their day-to-day pursuits involve much less analysis and much more salesmanship than ever before" (Morgenson, 2000).

In addition to their success at burnishing their image for investors and for the casual reader of test scores, EMOs have repeatedly demonstrated their ability to write the rules under which they operate and get access to the public purse. They have done so, moreover, while enjoying a relative lack of scrutiny for their actions.

EMOs have benefited from close relationships with government. Before founding

Advantage Schools in 1996 to operate charter schools in Massachusetts and other states, Wilson helped write the Massachusetts charter school law as an aide to former Gov. William Weld (Wilson, personal curriculum vitae). In Milwaukee, the administration of Mayor John Norquist—an outspoken proponent of vouchers and charters—threw its political weight behind a \$12.1 million tax-exempt bond issue for the Edison-run Milwaukee Academy of Science, despite the school's short tenure (five months) and high turnover in staff and students: the school has had three principals in its short history as well as losing a third of its teaching staff and hundreds of students ("Panel Backs Bonds", 2001). The bond issue required only the approval of city agencies controlled by the mayor; by contrast, public school districts seeking similar financing are required under Wisconsin law to seek the approval of district voters in a referendum.

A central tenet of democratic institutions is that they be held accountable to those whom they serve and those who pay the bill. In the case of publicly funded schools, accountability should not stop with the parents whose children attend them, but ultimately rests with all taxpayers who contribute financially to their operation and have a stake in their success. In particular, opportunities to profit privately from the public sector demand strict scrutiny, as the administration of President George H. W. Bush learned nearly a decade ago. As the administration prepared to leave office in December 1992, *The New York Times*, recounting a study for the Office of Management and Budget, reported that "after years of effort to transfer Government work to private companies, the White House acknowledged... that contractors were squandering vast sums" (Schneider, 1992). A year later, evidence emerged that for-profit trade schools were enriching themselves on federal grant money that they were to have used to educate their students (Winerip, 1994).

The literature on charter schools run by for-profit EMOs offers plenty of evidence that they lack accountability, however. We have already noted the secrecy with which a contract was terminated in the case of at least one charter school. There are other signs as well.

The review of California charter schools—both for-profit and non-profit—discussed earlier found that the state had not lived up to its goal of clear accountability for charter school outcomes. "We see little evidence that the student outcome side of the accountability equation is playing out the way proponents have claimed," the authors of that report wrote. (Wells, 1998)

In Ohio, the founder and CEO of Akron-based White Hat Management, David Brennan, contributed \$1 million to Republican legislators and other office holders and has seen White Hat benefit repeatedly from exceptions in the laws and policies governing charter schools in that state, according to the *Akron Beacon Journal* (Oplinger & Willard, 1999). Yet White Hat's method of operation has landed the for-profit company in trouble with the US Internal Revenue Service. The IRS denied tax-exempt status to purportedly non-profit schools managed by White Hat on the grounds that the company's contracts with the schools "appeared to benefit White Hat to the detriment of the nonprofit school," the *Beacon Journal* reported (Oplinger & Willard, 2000).

In Michigan, Horn and Miron found "a number of questionable practices in the financial management of some of the schools or groups of schools" (Horn & Miron, 2000, p. 49) operated by EMOs, including:

- Sale or resale of land to the school, or leasing property to the school at above market rates
- Using operational costs to pay for private facilities/property
- Fees for school founders/leaders for special services (legal, consulting, etc.)

- Self-employment and employment of family and friends (nepotism)
- Making purchases for the private company through the school board to take advantage of tax-exempt status (p. 49).

In Massachusetts, the state Inspector General reviewed a contract between the Somerville Charter School's board of trustees and SABIS Inc. and concluded that the board had given SABIS too much control, in the process limiting the board's own ability to control the public funds for which it was responsible and limiting as well its ability to oversee SABIS's performance (Danseyar, 2001). The inspector general's report recommended that the trustees hire their own staff to oversee the school's business operations, including the contract with SABIS, and recommended as well either not renewing the contract when it expires in 2001, or putting it up for competitive bid, and in the process giving the board greater control over school resources and operations (Danseyar, 2001).

Some state authorities may be exercising a bit more skepticism about the promises that for-profits are making when charter schools are proposed. For example, in Worcester, Mass., the Massachusetts Department of Education denied a charter to a school that would have been run by Beacon Education Management. The denial came after it was pointed out that the community's regular public schools already offered the programs that exceeded what was promised for the charter, and that Beacon's fees amounted to 12% of the school's revenues and were, under terms of the proposal, slated to double over a two year period, reaching \$377,303 in 2004 (McFarlane, 2001).

These and other examples only reinforce the sensible conclusion that prudence demands that if we turn over some portion of the publicly funded education system to private profit, we must have strict and thorough oversight. Yet to provide such oversight will require an expensive and potentially unwieldy new bureaucracy. This was pointed out by Levin, writing about a system of publicly funded school vouchers:

If schools are to be accredited for vouchers on the basis of meeting the requirements for producing public benefits, a monitoring agency will be required. Even in the absence of these provisions, the cost of record-keeping will rise as a central agency must keep track of student attendance, voucher eligibility, and redemption of vouchers on a statewide basis. ... In summary, educational vouchers would promote higher efficiency at the school site, but the costs of infrastructure to support such a system would be considerably higher than that of the present system. (Levin, 2000, p. 19-20)

Indeed, some dissatisfied school districts have already reported that for-profit managers may cost money, rather than saving money as promised. When the Sherman, Texas school district officials decided not to renew Edison's contract to run Washington Elementary School there in June 2000, they cited \$4 million in "hidden costs" arising from the company's operation of Washington and another Sherman school. The district's assistant superintendent for administration and instruction said those costs included two layers of administration—Edison's plus the district's—as well as expenses for which the company allegedly failed to reimburse the district, including education services for handicapped students (Fox, 2000, p.1).

Finally, however, there are critical internal contradictions in the premise of a for-profit company purporting to be able to operate a public school and do so more efficiently than a not-for-profit entity: simply put, the corporation must be able to extract enough money from the system to provide shareholders with a return on their

investment.

A for-profit education management organization that did succeed in operating long enough to demonstrate true success for students in terms that might be universally agreed upon could not survive in the long term. Public schools who observe its operation and its techniques would be expected to replicate them and deliver them without having to pay shareholders, thereby either saving taxpayers money or delivering an even more enriched education. Given those circumstances, logic dictates that for-profit education can only succeed if it has managed to put not-for-profit education out of business or else sufficiently hobbled it—for instance, by offloading onto the public sector the task of educating the most difficult and challenging of school populations—so that the non-profit schools cannot compete.

There's some indication that that is precisely what is going on. The relatively poor test scores of Michigan charter schools relative to public schools that Horn and Miron found would appear to suggest that, contrary to the fears of some, the charters are not siphoning off higher-achieving students. The Michigan study did suggest, however, various ways in which for-profit companies target their enrollment efforts at students who are less costly to teach. "While the students are clearly from the public domain, the selection processes and the mechanisms in place to structure learning communities can often resemble practices in private schools," Horn and Miron write, pointing to a drop in the proportion of minorities enrolled in charters as well as indications that charters are gravitating to the suburbs (Horn & Miron, 2000, p, 48). The researchers also found that a number of the charters' students—typically those requiring special education services—end up returning to their home districts. Yet when that happens, the charters come out ahead, because the money that followed those students to the charters stays with the charters rather than returning to the home districts with the students (Horn & Miron, 2000). They add:

Many of the more efficient EMOs seem to be keenly aware of the characteristics of the students, parents, staff, and board members they wish to involve/include in the school. The ability level of students and their readiness to learn will affect both overall costs as well as overall performance of the school on standardized tests. The level of involvement of the students' parents and the resources these parents can bring to the school are also important and can affect the school's resources negatively or positively. (p.48)

In his 1998 *New York Times* report, Winerip put it a different way. After observing several elementary schools in Jersey City, where charter schools were enrolling parents eager to improve their children's schooling, he concluded: "The poorest, most troubled parents aren't running around looking for charters. The mother of the boy in [an inner-city, public school third-grade classroom] who hasn't answered 17 notes home isn't shopping for charter schools. [Another family who was] being evicted from the projects isn't shopping for charters. That is precisely one of the attractions of charters for motivated parents" (Winerip, 1998). For-profit companies, in short, appear to be doing what they can to avoid serving the children of the families he describes—the most costly to educate because of the severe challenges they face in their home lives.

Cobb and Glass provide additional evidence of biased selection processes in charter schools. In their 1999 study of the ethnic composition of charter schools in Arizona, they found that, "Although Arizona's charter schools are required to admit all students for whom they have room, there is some degree of selectivity" (Cobb & Glass,

1999). The selectivity was expressed in such practices as requiring charter-initiated parent contracts and the need for parents to provide transportation. As a result of such practices, nearly half of the charter schools studied exhibited evidence of substantial ethnic separation. Enrollment in these schools reflected a greater proportion of white students compared with the nearby traditional public schools (Cobb & Glass, 1999).

As an education policy initiative, the for-profit operation of public schools is an idea that has not proven itself to be economically viable or academically important. Indeed, the inherent characteristics of the enterprise and the track record so far strongly suggest that for-profit management companies are unlikely to ever succeed in improving the overall quality of public education. The for-profits do, however, seem quite capable of harming existing public schools.

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Alex Molnar is a Professor of Education in the University of Wisconsin-Milwaukee School of Education, in the Department of Curriculum and Instruction. He has a B.A. in history, political science, and education, two Masters degrees, one in history and one in social welfare, a Specialist's Certificate in educational administration, and a Ph.D. in urban education. Molnar, currently the director of the Center for Education Research, Analysis, and Innovation (CERAI) (<http://www.educationanalysis.org/>) and the Center for the Analysis of Commercialism in Education (CACE) (<http://www.uwm.edu/Dept/CACE/>), has been a professor in the School of Education at UWM since 1972. Previously he taught social studies at a high school in the Chicago area. From 1993 to 1995, Professor Molnar served as chief of staff for the Wisconsin Department of Public Instruction's Urban Initiative, a project that resulted in the creation of Wisconsin's Student Achievement Guarantee in Education (SAGE) program. The statewide SAGE program is designed to increase the academic achievement of low-income children in grades K-3 by reducing class size, reforming the curriculum, providing professional development, and opening schools to morning and evening activities. Molnar is a member of the SAGE evaluation team.

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