

Pennsylvania prepares privatization of Philadelphia public schools

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In a move that is brazenly undemocratic in its method and purpose, the state of Pennsylvania is preparing the privatization of the management of the School District of Philadelphia and total or partial privatization of two-thirds of its 264 schools. The state takeover of the fifth largest school district in the United States would involve the most radical reform ever undertaken in a large urban school district.

Pennsylvania Governor Mark Schweiker announced the plan on October 31 after a two-and-a-half month study by Edison Schools, Inc., the largest for-profit education company in the United States. State officials plan to implement the plan after November 30, following proposed talks with the city. Schweiker said the state and city must come up with \$150 million more per year for the next five years for the privatization plan to succeed.

The Philadelphia school system has a projected deficit of \$216.7 million in its current \$1.7 billion budget. This would require the closing of the school system next March for the remainder of the school year for the district's 210,000 students and 22,000 employees under present conditions.

Even at current funding levels, poor academic achievement, oversized classes of 33 students per teacher, chronic discipline problems, and deteriorating facilities plague the school district. While test scores and graduation rates have improved noticeably since 1996, over one third of students drop out before high school graduation. In last year's Scholastic Aptitude Test, only 41.3 percent of students scored at the basic competency levels.

Edison's 32-page report calls for abolition of the school board, which is appointed by the mayor, and for the management of the school district to be turned over to Edison. A five-member School Reform Commission appointed by the governor would replace the board. In a move that outraged Philadelphia city and school officials, the Republican controlled state legislature passed legislation to appoint the commissioners to five- to seven-year terms, thus making them unaccountable to anyone.

The legislation was passed on October 23 in a late-night session, prior to Edison's report being made public—with one minute of notice and 30 seconds of debate—as an amendment to a bill that would provide loan assistance to nursing students. The bill would also allow the nullification of current contracts with school district employees, except teachers whose contracts expire in three years. The law gives the new board the authority to impose local taxes exclusively on Philadelphians to implement the plan. State officials indicated they want the commission to replace the 50 top administrators in the school district in order to “change the culture” of the district.

The Edison plan also calls for 45 of the lowest performing schools to be operated directly by Edison, 15 of these low performing schools

to be operated by community groups and universities; 170 schools to get teacher training to implement a standardized math and science curriculum developed by Edison, and the remainder, primarily competitive admissions magnet schools, to be monitored but left alone. Edison proposes to save money by eliminating 500 teaching positions by attrition and selling the school district administration building. Several Democratic legislators from Philadelphia supported the plan because they want to expand the operations of the charter schools they now operate.

The takeover process was begun in August after a meeting between Governor Tom Ridge and Philadelphia Democratic Mayor John Street. They met because of an immediate crisis in making the school payroll and paying \$30 million in vendor bills. In a memorandum of agreement, Ridge agreed to advance the school district money to meet these obligations, but also announced that the state would be paying Edison Schools, Inc. \$2.7 million to do a 60-day study of the school district's finances and management. After the 60 days the two sides were to work out an agreement to resolve the crisis. Street responded, “I don't think we can afford to say ‘no’ to privatization.”

As part of their August agreement, Mayor Street agreed to postpone for three months a 1998 federal lawsuit brought by the city claiming racial discrimination in the way the state funds the Philadelphia school district. Last year the suit had been postponed one year after the state agreed to advance \$183 million to the district. In a study released in July by the Harvard Civil Rights Project, Pennsylvania was ranked as having the sixth most segregated schools in the United States.

Lt. Governor Schweiker took over the privatization process from Ridge, and postponed its implementation by one month when Ridge was appointed to head the Office of Homeland Security by President Bush. In his seven years as governor, Ridge was a leading proponent of schools vouchers for private and religious schools. Due to public opposition, he failed three times to get legislation passed which uses public funds for private and religious schools.

Last year the legislature passed the Education Empowerment Act giving the governor the power to take over 11 out of a total of 501 underachieving Pennsylvania school districts. At least half of the students in these 11 districts scored in the bottom 25 percent on state math and reading tests. Sixty percent of Pennsylvania's black students and 53 percent of its Latino students are concentrated in these 11 districts.

Under the Education Empowerment Act, school officials could be given the power to dismiss or lay off staff without adhering to seniority, hire uncertified teachers, and could privatize services, educational and otherwise. School officials could also create charter schools which would not be obligated to follow state civil rights,

environmental and labor regulations; could run existing schools as if they are charter schools, and close or reorganize schools. Currently, 14,000 of the Philadelphia's 210,000 public school students attend charter schools. Also part of the Act was \$30 million in tax breaks to corporations that offer to pay private school scholarships and invest in new programs in public schools.

In 1975, Pennsylvania provided 55 percent of school funding statewide. Today it provides less than 36 percent. In January 2001, *Education Week* gave Pennsylvania a D- in funding equity in comparison to other states. Over half of the funding for Philadelphia schools comes from the state. The rest is from federal funds, which have declined drastically over the last 20 years, and local property taxes.

An analysis of district finances in 1999 by Moody's Investor Service, a financial rating agency, determined that increased district spending was limited by a state system which relies heavily on property taxes for local school funding. As a result, wealthier school districts with proportionately more property owners and more expensive real estate have more funds for schools.

The result is great disparities in school system expenditures per student. Last year, the Philadelphia school district spent \$6,969 a year per student. Seventy percent of Philadelphia's students are at or near the poverty line. This contrasts with expenditures per student in wealthier suburban school districts: Jenkintown, \$12,076; Radnor, \$13,288; and Upper Merion, \$13,139.

Edison was given the contract to study the Philadelphia district in August without competitive bidding. It specified that Edison must study ways to fund the Philadelphia schools without any increase in state expenditures. The plan was developed in complete secrecy with little discussion with parents, school employees, city and school officials. Helping Edison do the study was the financial firm of Merrill Lynch, Public Finance Management, and IBM.

Edison is the largest private operator of charter and public schools in the United States. Started in 1991 by media entrepreneur Christopher Whittle, the Manhattan-based company raised \$232 million in venture capital before its initial stock offering in November 1999. It opened its first school in 1995. It now runs 136 schools in 50 cities, serving 75,000 students on a budget of \$534 million. It runs only four high schools, with the longest length of operation only four years. Seventy percent of its students are poor enough to qualify for federally funded free or reduced-price lunches.

Investors include Microsoft cofounder Paul G. Allen who invested \$71 million through his Vulcan Ventures Inc. in 1999, though he has since reduced the size of his stake. Other private investors include Richmond Leeds, J.W. Childs Associates L.P., J.P. Morgan Chase and Company, and Investor AB, a Swedish holding company.

Despite raising \$265.5 million in three public offerings, Edison reported on March 31 that since November 1996 it has accumulated a total debt of \$144.8 million. It has never recorded a profit. It lost \$38 million in fiscal year 2000 and \$36.6 million in fiscal year 2001. On February 8, Edison stock hit an all-time high of \$38.75. By mid-August it had fallen to \$18.85 in trading on Nasdaq.

Edison's business model is based on the premise that it can take the same amount of money the public schools receive and use it more effectively by reducing administrative costs. It has its own curriculum and preferred teaching methods. On September 26, Edison released a report claiming test scores had improved at 84 percent of its schools. Critics pointed out that the figures are based on comparisons to Edison schools only and not to non-Edison schools in the same districts.

In San Francisco, for example, Edison Charter Academy was outperformed by non-Edison schools at every grade level in reading, and in all but one grade level in math. In Battle Creek, Michigan math scores went down 2.4 percent after Edison took over. Gary Miron, co-author of an Edison study conducted by the Evaluation Center at Western Michigan University, commented, "This is a terribly misleading way to present data. It's not research, it's marketing."

Edison held a series of public forums in Philadelphia to sell its plan to parents. This plan backfired, however, and the forums were dominated by parents denouncing Edison and charging the state with strangling the schools financially in order to create the conditions for privatization. After holding four forums, Edison cancelled further public meetings. In a poll done by Peter D. Hart Research Associates, 65 percent of public school parents and 62 percent of adults "strongly opposed" privatization.

Conspicuous in their low profile has been the leadership of the Philadelphia Federation of Teachers. In a speech announcing the takeover plan before the Philadelphia Bar Association, Schweiker called the teachers "heroes" and stated "teachers are the solution"—this after years of politicians saying the problem in education was greedy and unmotivated teachers.

PFT President Ted Kirsch responded favorably to Schweiker's overture to the union, saying he took Schweiker's speech as a "clear message" that Schweiker wants to "work with the teachers union, not abolish it." Kirsch also responded favorably to Schweiker's proposal of \$7,500 bonuses for teachers who take on more duties, while ignoring that the plan does nothing to lower class sizes and, in fact, calls for the elimination of 500 teaching positions through attrition. The PFT finally called a rally at City Hall November 13, but announced it would be diverting a struggle against privatization to promoting legislation in the state legislature for a referendum on privatization.

At two days of City Council hearings last week, parents, community leaders, ministers, and union leaders denounced the Edison plan as a power play for patronage and profits. After state officials stated the plan would be implemented "with or without" Mayor Street, Street broke off talks and moved his office from City Hall to the school administration building. Stating he would not resume talks unless the state drops plans to put Edison in charge of central management, Street—who had supported privatization until the governor and legislators insulted him personally—called the plan's implementation "disrespectful" and its goals "fantasyland."



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