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ABSTRACT

In 1992 the Baltimore City Public School District (Maryland) entered into a 5-year contract with Education Alternatives, Incorporated (EAI), to manage 9 of its schools. Baltimore's private-management model differed significantly from that of Dade County, Florida, in that EAI was given overall management responsibility. Data were gathered through a review of the contract, a site visit, reviews of school operating expenses and student-outcome data before and after private management, and interviews with stakeholders. Baltimore contracted with EAI to produce dramatic improvement in student outcomes, to save the school system money in noninstructional services and redirect the savings into the classrooms, and to implement its Tesseract instructional approach. EAI brought three corporate partners into the arrangement--KPMG Peat Marwick, Computer Curriculum Corporation, and Johnson Controls World Services, Inc.--under the group name Alliance for Schools That Work. The district terminated the contract in March 1996. The teachers union strongly opposed EAI's requirement that teaching assistants have at least 90 college credits. EAI transferred less-credited teaching assistants, many of whom were experienced and from neighboring communities, to other schools. EAI's special-education inclusion model and the manner in which it was implemented also created conflict. The primary reason for termination of the contract, however, was disagreement about financial terms; the district wanted to reduce the amount paid to EAI. EAI brought about individualized instruction, greater access to technology, and improved building maintenance and repair; and it served as a catalyst for improved efficiency. Despite these benefits, students' scores on standardized achievement tests did not improve, and there was no difference, compared with other schools, in test scores and attendance rates. (LMI)

The Private Management of Public Schools:

The Baltimore, Maryland Experience

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The Private Management of Public Schools: The Baltimore, Maryland Experience

In 1992, the Baltimore City Public School District entered into a 5-year contract with Education Alternatives, Inc., (EAI) to manage 9 of its schools. Baltimore's private management model was a significant departure from Dade County's in that EAI was given overall management responsibility.

Our study of the Baltimore/EAI endeavor included a review of the contract, as well as a site visit to Baltimore. We reviewed reported school operating expenses for Baltimore before and during private management. We also analyzed student outcome data before and during private management. We talked with stakeholders–superintendent, school board members, teachers unions, principals, and teachers–and visited the schools. With over a year remaining on the contract, the district decided to terminate it in March 1996.

Background

The Baltimore City Public School District–which at the time of our study served over 113,000 students–was one of the largest local education agency in Maryland and one of the largest education systems in the U.S. Its 183 schools and 12,700 personnel served a population that was predominately African-American (81%) and poor (about 70%

received free or reduced price meals). With a budget of $617 million in fiscal year 1994, the Baltimore City Public School District, an agency of the city government, spent an average of $6,000 per student. However, this amounted to $40,000 less per classroom than districts in the nearby Maryland suburbs. Baltimore officials believed that this level of funding exacerbated efforts to address the extremely high secondary school dropout rate and low attendance and achievement patterns.

Impetus for Contracting

The Baltimore school district was grappling with a number of urgent and longstanding issues when it contracted with a private company for school management. One in 4 of its citizens was functionally illiterate. The typical student, an African-American child residing in a female-headed, single parent household, had only 1 chance in 2 of earning a high school diploma. The student has not met state standards for test scores and had missed 1 in 5 days of school.

The district believed that a private company had the best chance at succeeding in developing and saving its students. The district believed that a private company could successfully address performance challenges of the system so that the district, in the near future, would exemplify a world class educationally environment. A number of district officials said that they expected the company to produce "dramatic improvement" in student outcomes. Moreover, the district believed that the company could save the school system money in non-instructional services and redirect those savings back into the classrooms, and that the company would be better able to account for expenditures. Some also believed that the company would be able to pierce the bureaucracy, resulting in more rapid procurement of supplies and equipment and that the private company would be able to maximize efficiency. District officials believed that the company would provide cleaner, better maintained buildings. Some district officials viewed the venture as something they could learn from, calling it an experiment.

The Model

In July 1992, Baltimore entered into a five-year agreement with EAI. The contract, approved by a vote of 3 to 2, with the support of the mayor, was a significant departure from the Dade County contract and model. Similar to Dade County, EAI was to implement Tesseract in the Baltimore schools. However, Tesseract was to be implemented in 9[1] existing schools--eight elementary and one middle school. Also, Baltimore's model called for EAI to manage the 9 schools, including their budgets. This meant that EAI was to pay all accounts in connection with the operation of the schools, including salaries, benefits, utilities, and leasing costs; purchase operating equipment,

[1]Baltimore and EAI subsequently entered into three additional contracts, each for one school. However, we only included the first contract, which covered nine schools, because this contract was the largest and was signed much earlier than the additional three.

goods, and tangible personal property; and provide routine building maintenance and repair and other non-instructional services.

To carry out its management responsibility, the district agreed to pay EAI in 12 monthly installments, with the amounts of each installment based on the district's historical expenditure patterns. The total payment to EAI was to be the district-wide average per pupil expenditure multiplied by the total number of students in the nine schools. This amount totaled $26.7 million in the first contract year. However, EAI paid the district back $3.4 million to cover the nine schools' share of central support services, leaving $23.3 million for the direct operation of the schools. Under this payment arrangement, EAI's payment for managing the nine schools was the difference between the total payment received from the school district--excluding interest earned and grant money--and the cost of operating the schools.

To assist EAI in managing the schools, this time EAI brought with it three corporate partners--KPMG Peat Marwick, Computer Curriculum Corporation, and Johnson Controls World Services, Inc. Collectively, they referred to themselves as the Alliance for Schools That Work. The Alliance focus was on three aspects of the schools: education, facilities, and financial management. As the lead company of the Alliance, EAI was responsible for overall school management and provided education management through its Tesseract[2] instructional approach. KPMG Peat Marwick, the world's largest public accounting and consulting firm, offers financial management assistance. Johnson Controls World Services, Inc., which has operated, maintained, and managed facilities for over a century, provides supervision and maintenance of buildings, energy use, transportation, and other non-instructional services for schools. Computer Curriculum Corporation, owned by Paramount Communications, the world's largest entertainment and educational publishing corporation, provides computer-based, instructional software.

Although EAI had broad management authority, it had limited input and control over school staff. That is, the principals and teachers were already established staff in the 9 schools. Principals and teachers were district employees and EAI had no authority to reprimand or terminate any school system personnel. EAI could only discuss matters concerning the nine schools with union representatives and to participate in evaluating employees after obtaining the required approval.

Interestingly, the district expectations for improved student outcomes, were not addressed in the contract. The contract specified, however, that EAI and the district agree to meet and agree on evaluation and performance criteria as soon as possible. The

[2]The word Tesseract, a registered EAI trademark, comes from a children's book, A Wrinkle in Time, by Madeleine L'Engle. In the book, the word is defined as a fifth-dimensional corridor leading to destinations otherwise beyond reach.

contract also specified that the criteria may include standardized tests and attendance, but did not commit the company to improvements in those areas.

The Implementation Process

In contrast to the Dade County contract, which was negotiated and implemented during the course of over a year, the Baltimore contract was negotiated during the summer to accommodate a September school opening. In stark contrast to Dade County, where there was heavy input from a range of key stakeholders, Baltimore's short timeline did not provide the greatest opportunity for involvement. Some teachers reported that they found out about the decision shortly before school began; others reported hearing about the decision on the news. The local teachers union, who had toured the Dade County's South Pointe school with EAI, was also surprised to learn about the contract.

The mayor and superintendent, and initially the local teachers union, supported the decision to privatize. To facilitate implementation, the school district selected for private management only those schools with principals who were interested in private management. Moreover, the district gave the teachers who did not want to teach in privately managed schools, the option of transferring to other schools in the district. Some of the teachers that we talked to in Baltimore remained in the schools because they were optimistic about the approach. Others, who wanted to be a part of the experience transferred in. However, there were also teachers who didn't like the approach but didn't want to leave the schools that they had taught in for years.

Although the teachers union initially supported the decision, the support was short-lived. The local teachers union strongly opposed EAI's requirement that teaching assistants in the privately managed schools have at least 90 college credits. Those teaching assistants who did not meet this requirement would be transferred to other schools in the districts. The teachers union opposed this decision, contending that the original teaching assistants were valuable because they were experienced and from schools' neighboring communities and therefore provided inner-city children much needed relationships with familiar, trusted adults. Despite teachers union opposition, the teaching assistants who did not meet the requirements were transferred to other schools in the district. EAI replaced these assistants with a larger number of teaching assistants, who usually had college degrees. Of note, there was no such opposition in Dade, where the teaching assistance were hired along with the teachers for the newly constructed schools.

While some of the teachers we talked to said that they had problems with some of EAI's teaching assistants' lack of experience, a number said that the teaching assistants were a major asset in the classroom. Teachers characterized them as dedicated and as having skills that mesh well with the teachers' own. The parents we talked to also generally expressed satisfaction with having a second adult with college training in the classrooms.

Further problems arose when EAI implemented its special education inclusion model. Some opposed the model itself as well as the manner in which it was implemented. One group who opposed the model believed that the real motive of EAI's special education inclusion program was to reduce the number of special education teachers and thereby reduce cost and increase EAI profit. A national teachers union questioned whether the decision to implement the inclusion model was in the children's best interest. To further complicate EAI's efforts to implement inclusion, the U.S. Department of Education found that EAI had not followed the procedures as required by the Individuals with Disabilities Education Act before changing special education students' placement by moving them to regular classrooms.

The Outcomes

With over 1 year remaining in the 5-year contract, the school district decided to terminate the contract effective March 1996. School districts officials had tried to negotiate with EAI to reduce the amount of money EAI would receive to operate the nine schools because of unexpected district-wide expenses. EAI would not agree to the reduced amount.

Although the contract ended before the expiration of the 5-year term, the contract yielded some benefits for students. Through implementation of EAI's Tesseract approach, students received more individualized instruction and teachers received additional training. Also, student had greater access to computers and teachers to equipment. EAI leased about 1,100 computers for the nine schools, resulting in a typical classroom that had four networked computers. Each school had one or more computer labs. EAI also provided fax machines, copiers, and telephones for teachers in their classrooms.

School building maintenance and repairs also improved. EAI spent money to paint the schools, improved heating, and install air conditioning. In addition, EAI spent money on bathroom repair and plumbing, fence repair, landscaping and preventative maintenance. The company also rerofitted lighting in the nine schools, which brightened classrooms and was expected to reduce energy costs.

EAI also managed the district's budget, spending about the same each year on direction operations as the district had spent in the year before the contract. However, EAI allocated funds differently. In its first year, EAI spent less on general instruction and special education instruction but significantly more on facilities. In the second year, EAI's overall reported costs were similar to those of its first year, but, again, EAI allocated funds differently. EAI increased its spending for general instruction (primarily because of salary increases) but spent less than it had in the previous year on special education. EAI also spent less on facilities than it had in the previous year (primary, according to an EAI official, because of the facility upgrading done during the first year), but the company continued to spend more than the district had previously spent on facilities.

In Baltimore, the company also served as a catalyst for change. In Baltimore, the superintendent said that the entire school district has become more competitive because of EAI's presence. For example, concerned that functions such as maintenance would be contracted out, schools are doing a better job in that area. The superintendent also said that schools are operating in a more business-like manner.

Despite the benefits, scores on standardized achievement tests did not improve in Baltimore, where we analyzed test scores. In our own test score analyses of Baltimore schools, we found little or no difference between scores of students in privately managed schools compared with student in other similar schools. In general, scores tended to be significantly lower in the privately managed schools in the 1992-93 school year, during the year in which private management was beginning in Baltimore, compared both with school year 1991-92 scores and with scores of other similar schools. During the second and third years of private management, however, scores in privately managed schools increased, so that by the end of the 1994-95 school year, little or no difference remained between scores of students in privately managed and other similar schools. In addition, our analysis of attendance rates for Baltimore showed that they did not improve for students in the privately managed schools compared with the rates for students in the non-privately managed schools.

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