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The Impact of Education Management Organizations on Academic Achievement in three Middle Schools in the School District of Philadelphia, Pennsylvania

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THE IMPACT OF EDUCATION MANAGEMENT ORGANIZATIONS ON ACADEMIC ACHIEVEMENT IN THREE MIDDLE SCHOOLS IN THE SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA

By

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Submitted in Partial Fulfillment of the Requirements for the Degree Doctor of Education Seton Hall University

2008
APPROVAL FOR SUCCESSFUL DEFENSE

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Abstract
The Impact of
Education Management Organizations on Academic Achievement in Three Middle
Schools in the School District of Philadelphia, Pennsylvania

No Child Left Behind stipulates that schools that have not made Adequate Yearly Progress for 2 or more consecutive years be designated as schools in need of corrective action. One approach that has been offered as a school reform option for schools and/or districts in this category is to employ the diverse provider strategy, which recommends a variety of interventions. This study will focus on student performance in two schools which employed the private management intervention. In 2001, Pennsylvania state leaders and city officials negotiated a takeover of the 210,000-student system. Part of the agreement stated that 45 schools were to be operated by private and non-profit companies.

In this study the reading, language, mathematics, and science standardized test scores in 3 middle schools are compared: a traditional school, and two schools operated by EMOs, one Type II school operated by Foundations Inc., and one Type IV school operated by Victory Inc. The investigation employed ANOVA using TerraNova scaled scores from the fall of 2002 and the spring of 2003. The scaled scores for 5157 Grade 8 students were analyzed. The analysis indicated that student achievement in reading and language does not increase significantly when profit or non-profit organizations become school managers. The analysis also indicated that student achievement in mathematics and science did increase significantly in the school operated by the district as compared to schools operated by non-profit and for-profit school managers. Based on these results, there is evidence that student achievement in mathematics and science is greater in schools operated by the district.
Acknowledgements

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To Joe Saxton many nights we stayed awake wondering why we were torturing ourselves. Now it is abundantly clear that this has truly been a labor of love for he and I. From roommates to soulmates, two unlikely brothers and kindred spirits I am forever deeply indebted to him for his persistence and encouragement when others were not there. He has been a true friend and my life has been enriched because of him.

Dr. and Mrs. Gregory Thornton were both there when I ran into a brick wall. They were also there when I needed someone to help me scale that wall and get to the other
side. Thank you immensely for your confidence, strength, faith, and insight in helping obtain the necessary support and resources that I needed during this journey. Without your influence none of this would have been possible.

To Patrick Michel – Thank you so much for your insight and assistance. You have been an inspiration for me the entire way.
Dedication

First and foremost I want to thank my wonderful parents for having the love, courage and insight to tell me everyday of my life to never say you can’t. Were it not for their constant prodding, pushing, and encouragement I would have never have been able to maintain the drive and vision to complete this daunting task.

Lisa and Angela, my beautiful daughters, I will always be indebted to you both because you have both been the inspiration that I have needed to show that this work could be done. You have both been with me in leaner days, and without your love and constant faith this accomplishment would not be possible. I love you both.

To Michael and Peter, my only sons, I love you both with all my heart; you are the light of my life. It is my hope that you will both forgive me for taking away our precious time together on the many days when I was closed in the office trying to complete this work. I love both of you guys more than you will ever imagine. It is my hope that this work will stand as a testament to the fact that nothing is impossible, and never, ever say I can’t.

To my beautiful wonderful wife Stacey, words could never explain how her strength, support, belief and love have encouraged me to continue on those days when completion seemed so far away. My darling you have removed my fears with a simple touch on the forehead and a hug. Many nights and days you have soothed my tired soul when my body and intellect were weak. You were always there to offer a positive word and tell me not to worry and take one step at a time. My friend, my love, my darling without you nothing that I do is possible. I love you more than life itself!

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Chapter I
The Problem

Introduction

Public schools and school districts have been taken over by state departments of education, as far back as the 1800s, but according to Hentschke, Oschman, and Snell (2000) few were turned over to private corporations until the early 1990s. Privatization in education is understood to be the transfer of public education funds to the private sector.

The origins of public school privatization are difficult to determine. But it is clear that one report released in April 1983 by the National Commission on Excellence in Education (NCEE) entitled, *A Nation at Risk: The Imperative for Educational Reform* has had a dramatic influence on American education. Soon after the report was issued, President Ronald Reagan advocated the abolition of the Department of Education because he was displeased with the Democratic undertones within the Department (Marsh & Willis, 1995). *A Nation at Risk* resulted in more than 300 state and national business reports and commissions assessing public schools (Shipps as cited in Fitz & Beers, 2001). She noted that these reports constantly drew parallels between good business and good schools. “Through the 1980s and the 1990s national business organizations, such as the National Alliance of Business and the National Business Roundtable, persistently pressed for standards-driven reform in order to produce outputs represented in National Goals 2000” (Fitz & Beers, 2001, pp. 5-6). In 2000, education management organizations (EMOs) were expected to produce $100-123 billion in revenue (Olson, 2000). These organizations are real alternatives for school districts, and
districts, and they represent powerful political lobbies on the state and federal levels. According to the General Accounting Office (GAO) (2003), in the 2002-03 school year nearly 50 companies managed over 400 schools in this nation. EMOs are currently operating in 25 states and the District of Colombia. Approximately one half of these schools are located in Arizona and Michigan.

Statement of the Problem

No Child Left Behind (NCLB) (2001) specified a range of interventions that can be applied by states to districts and to schools that are chronically low performing. Several of the interventions that can be enacted are a state takeover of a district, “the reconstitution” (replacement) of the staff, the outsourcing of a school’s management to non-profit organizations and for-profit companies (EMOs), and the conversion of a district school to public charter (Brady, 2003). No Child Left Behind has mandated that schools that have not made Adequate Yearly Progress for 2 or more consecutive years are designated as schools in need of corrective action. One approach that has been offered as a school reform option for schools or districts is to employ the “Diverse Providers Strategy” which enlists a variety of interventions across a district (Hill, Campbell & Harvey, 2000).

The Purpose of the Study

This study seeks to determine the impact of for-profit and non-profit education management organizations on the academic achievement levels of middle school students attending low-performing schools. The standardized test results from two EMOs will be compared to standardized test results of a traditional district middle school, one non-profit, and one for-profit school. The companies were selected because they have similar
demographics, and each operator manages a similar number of schools. EMOs vary in size and scope of operation but most can be classified this way (Miron, 2000):

Type I: Nonprofit, single school operator.
Type II: Nonprofit, multiple schools operator.
Type III: For-profit, single school operator.
Type IV: For-profit, multiple schools operator (Miron, 2000).

This study seeks to determine if student achievement increases in Type II Non-profit or Type IV For-profit education management organizations (EMOs).
The study will result in a report to inform the members of the Pennsylvania State Legislature, the Mayor's Office of Education, parents, students, teachers, administrators, and all of the stakeholders of the School District of Philadelphia.

Research Questions

The principal research question of the study is: Do eighth grade student achievement levels at three middle schools (one operated by a Type II EMO, one operated by a Type IV EMO, and one operated and managed by the School District of Philadelphia) increase significantly?

Subsidiary Questions

As a result of the study, the following specific questions will be answered:
1. Do the TerraNova reading scores of eighth grade middle school students in three schools, managed by SDP or two different types of contractors, increase significantly?
2. Do the TerraNova language scores of eighth grade middle school students in three schools, managed by SDP or two different types of contractors, increase significantly?
3. Do the TerraNova mathematics scores of eighth grade middle school students in three
schools, managed by SDP or two different types of contractors, increase significantly?

4. Do the TerraNova science scores of eighth grade middle school students in three schools, managed by SDP or two different types of contractors, increase significantly?

**Federal, State, and District Context**

Corrective action varies from state to state but generally encompasses sanctions such as: loss of accreditation, reconstitution/replacement of staff, state takeover, student transfer to different schools, privatization, the introduction of charter school, or the use of vouchers (Rudo, 2001, p. 11). Thirty-four states have corrective action plans, and others are expected to implement plans between 2002 and 2004 (Rudo, 2001). Most of these states rank districts based on standardized test data. Twenty-three have included attendance and dropout rates as additional indicators.

Twenty-eight states have policies that allow the reconstitution or replacement of staff in schools or districts for poor performance (Rudo, 2001). Reconstitution has several different definitions. In some states, it means dismantling an entire staff, while in others it requires the removal of the administrators at the district or school levels, still another interpretation calls for the redesign of the curriculum and instructional practices. Although reconstitution usually refers to direct district intervention, several of the characteristics outlined above occurred in the schools that are managed by EMOs in this study.

Two problems plague corrective action policy-making. “The first is that the state is an incredibly blunt instrument; it gets hold of one overarching idea and imposes it without any sensitivity to the local context. The second is the desperate craving of
politicians for a magical solution” (Micklethwaite & Wooldridge as cited in Fullan, 1996, p. 294).

The U.S. Department of Education listed the following factors for state and district leaders to consider before deciding to reconstitute a school or district. Each of these points is cogent and warranted consideration prior to the appointment of an EMO.

1. The overall impact of reconstitution on motivation may be either positive or negative depending upon the circumstances.

2. The stakeholders should deem the process and solutions legitimate before proceeding (e.g., a process for equal decision-making of all stakeholders).

3. The reconfiguration of schools may require breaking up a large school into several smaller schools or combining several schools within a neighborhood.

4. The legacy of failure in a school/district was most likely developed over a long period of time and may persist after reconstitution. Breaking patterns of failure that have become entrenched takes time (as cited in Rudo, 2001, p. 3).

State takeover legislation exists in 27 states, and 9 states allow for private takeovers (Rudo, 2001). California, Colorado, Connecticut, Illinois, Maryland, Massachusetts, Michigan, New Jersey, Ohio, and Pennsylvania, and West Virginia have enacted takeover prerogatives. Only Illinois and West Virginia have increased student performance, improved management, and reduced fiscal problems as a result of the takeover process (Rudo, 2001). Rudo pointed out that “generally, student achievement remains inadequate after a takeover” (p. 5).

Takeovers usually require a designee to manage the district for a specified period of time. In Philadelphia, the focus of this study, the former school board was disbanded,
and a five-member commission was appointed for a period of 7 years. Three members, including the chairman, were appointed by the Governor of Pennsylvania, and two members were appointed by the Mayor.

Contracts for the companies included in this study expired in 2007. Consequently, the long-range effects must be considered and explained to the stakeholders. The Education Commission of the States (as cited in Rudo, 2001) indicated that state takeovers are more successful when changes are made at central offices rather than in classroom instructional practices. The Commission also indicated that there are a number of items that should be considered when establishing a takeover. They are:

1. Criteria
2. Takeover decisions
3. Implementing state takeovers
4. Ending a state takeover
5. Long term changes (pp. 5-6)

When the EMOs were designated to manage the schools in this study, the management and leadership changed at each school. In Turning Around Low-Performing Schools: A Guide for State and Local Leaders (U.S. Department of Education, 1998), takeover leaders and supporters are encouraged to consider the following items before implementation:

1. Strong leadership at the school site is essential.
2. Successful rebuilding requires a clear break with past practices.
3. High expectations and collective responsibility for student learning must be paramount.
4. Professional development and capacity building are essential.

5. Unintended consequences may occur.

6. The role of district and state leadership is pivotal. (pp. 47-48)

Rudo (2001, p. 7) pointed out that “policies that incorporate the provision of material and human resources and establish a climate of support and leadership seem to have a much better chance of improving student performance.” Sergiovanni & Starratt (1998) believed that teachers may be adversely affected by reform efforts and described several conditions that are common to reform movements:

1. Labeling teachers as professionals but viewing the work of teaching as bureaucratic

2. Attributing higher standards of trust and moral responsiveness to administrators and supervisors rather than to teachers

3. Assuming that teachers are primarily motivated by self-interest and thus less willing to respond to work for altruistic reasons

4. Assuming that teachers make decisions about what is important and what to do alone as rational and objective individuals. (p. 203)

Rewards do not equal motivation; in fact Kohn, stated that the opposite is true. Things that are rewarding get done (Kohn. 1993). When educators focus on performing for someone else’s approval, this creates mediocre performance (Senge, 1990). Therefore, these conditions should be considered if EMOs intend to provide the most productive academic environment.

In this instance, the schools were designated for operation by EMOs as a result of state mandated corrective actions. The implications for the academic improvement of the
students who attend these schools are profound. The dramatic changes in school management and curriculum will undoubtedly result in a period of adjustment for students, staff, and the community.

Background

Pennsylvania has become one of many states to actually appoint EMOs in an attempt to improve academic performance. The School District of Philadelphia is the eighth largest district in the country, and is the largest district ever to be taken over by a state department of education. In January 2002, Governor Schweiker dismissed the Philadelphia School Board and installed the School Reform Commission (SRC). The SRC promptly selected 70 schools for corrective action. Nineteen schools were reconstituted, 20 were assigned to Edison Inc., the largest EMO, 27 were assigned to other EMOs, and 4 were designated as independent/charters. The SRC proposed a budget, negotiated contracts with the EMOs and met to honor collective bargaining agreements with the Philadelphia Federation of Teachers and other unions.

The Philadelphia School District is the largest urban district in the state and receives a substantial portion of the state's educational budget because of its size and the number of students that it services. The state maintained that corrective action was needed to provide a quality education for failing Philadelphia students. In addition, comments by the State Department of Education indicated that funding shortfalls between the City of Philadelphia and the School District of Philadelphia played a major role in the takeover.

Financial Considerations

Adequate funding for these reform efforts will also complicate the future of the EMO initiative in Philadelphia. Funding battles have been raging in the Pennsylvania State
Legislature for the last decade and continue to this day. Philadelphia filed a lawsuit against the state for additional funding in 1998. Legislators across the state argue that the District is adequately funded and have repeatedly refused to allocate additional funds. In May of 2000, Gretchen Toner, a spokesperson for the Department of Education stated, “Both the state and local taxpayers are already spending a lot of money on education, and in many cases, we’re not seeing a good payback on the results.” “That’s where we need to focus our attention, how to spend the money we do spend more effectively” (Philadelphia Daily News, 2002). Former State Education Secretary Charles Zogby stated that “the Governor and the General Assembly were not interested in putting taxpayers’ money into the same old Philadelphia School District” (Philadelphia Daily News, 2002). Zogby’s statements were made on the heels of a $55 million funding infusion that was earmarked for Philadelphia schools by the state legislature. After the funds were allocated by the legislature, Zogby insisted that the $55 million dollars be directed to educational management organizations. Each EMO received an additional $200-$300 stipend for each student. The companies that were the focus of this study, Foundations Inc. (Type II EMO), received an additional $2,180,433, and Victory (Type IV EMO) received $2,247,234 in additional funding for their students (Research For Action, 2005).

The School District of Philadelphia’s $107 million deficit has not been erased for this fiscal year, and despite a $300 million loan by the SRC, the deficit is projected at $102 million in 2005. Standard and Poors stated, “Simply spending more money per student in school districts will not necessarily increase test scores but there are strong correlations between poverty levels and educational achievement” (Philadelphia Inquirer
May 7, 2002). The question remains, will earmarking additional money and assigning schools to EMOs improve learning? Conversely, one can only wonder if this funding will be available in the future.

Definition of Terms

Adequate Yearly Progress (AYP): Adequate Yearly Progress, or AYP, is a measurement defined by the United States federal No Child Left Behind Act that allows the U.S. Department of Education to determine how every public school and school district in the country is performing academically (U.S. Department of Education, 1998).

Corrective action: action taken by a state or department of education against a school or school district. Actions may range from verbal reprimand to state and private takeover (Rudo, 2001).

Diverse provider model: Several private organizations, profit-making or non-profit, enter into a contract to manage one or more schools (Hakim, Seidenstat, & Bowman, 1994).

Privatization: In general, it involves the transfer of public money or assets from the public domain to the private sector. It also includes the provision of services by private corporations, enterprises, and institutions that were once provided by the public sector (Fitz & Beers, 2001).

No Child Left Behind: The No Child Left Behind Act of 2001, Sec. 1111 (b)(F), requires that "each state shall establish a timeline for adequate yearly progress. Not later than 12 years after the 2001-2002 school year, all students in each group described in subparagraph (C)(v) will meet or exceed the State's standards" (U.S. Department of Education, 2003).
Reconstitution: creating a new philosophy and making severe staffing changes, possibly including changes in school or district leadership (Rudo, 2001).

Takeover: any intervention that effectively dismantles or redesigns the policymaking bodies in a school or district (Rudo, 2001).

Terra Nova: a norm-referenced achievement test that measures basic concepts and skills commonly taught in schools throughout the country. The assessments measure a student's acquired knowledge and skills in four content areas, reading, language, mathematics, and science. Each section of the test compares a student with a specified reference group of the same grade (McGraw-Hill).

Stakeholders: parties that are either directly or indirectly connected to the operations of the school. Usually this would include parents, students, teachers, administrators, business leaders, social organizations, and politicians.

School Reform Commission (SRC): five-member board appointed by the Governor of Pennsylvania (3) and Mayor of Philadelphia (2).

Educational Management Organization (EMO): organizations that are designated to operate or co-operate schools (Hentschke, et al., 2002).


Educational Management Organization Descriptions, (Miron, 2000): Type I: Nonprofit, single school operator

Type II: Nonprofit, multiple schools operator

Type III: For-profit, single school operator
Type IV: For-profit, multiple schools operator

Traditional school: a school that is currently operated by the school district.

Significance of the Study

An Education Commission of the States (2001) report stated, "Student achievement has improved at best only modestly under extreme state intervention strategies such as takeovers" (p. 3). Richard Schweiker, the former Governor of Pennsylvania, published his "10 Principles of Education-Reform" to rescue the School District of Philadelphia. In this document, he explained his goals and rationale for taking over the District.

However, most states have already demonstrated that they have difficulty managing school districts when it comes to academic achievement or fiscal responsibility. New Jersey has been involved in state takeover for at least the last decade. "Takeover in New Jersey is not collaborative" the widespread replacement of district administrators and principals has led to rancor and legal disputes in each of the three takeovers enacted in the state of New Jersey (Gutmore & Trachtenberg, 2001, p. 36).

Many issues have surfaced after the takeover in Philadelphia: collective bargaining disagreements, funding shortages, staffing inadequacies, charter school funding issues, and last but not least, new federal mandates that call for greater accountability and student achievement without additional funding.

This report will add to the research that has promoted prudent change and extensive collaboration between politicians, parents, teachers, administrators, and students. The SRC initiated many different interventions in their attempts to improve student achievement. Their plan is unique and demonstrates great flexibility. However, it remains to be seen if these changes will motivate administrators and inspire teacher
leaders who must provide meaningful instruction to the students who attend the schools operated by EMOs. The goal of this report is to provide administrators, teachers, politicians, parents, and students additional opportunities to reflect on the events discussed in this report and learn from the issues that have been generated by the establishment of EMOs as school managers.

Limitations

The GAO has concluded that the validity of test scores is improved when the testing batteries are similar and when the student achievement data can be tracked from year to year. A longitudinal study would provide greater insight into the effectiveness of the EMOs. In this study, TerraNova results from October 2002 and April 2003 for eighth grade middle school students were analyzed. Due to the limited amount of time that elapsed between the assessments, it would be difficult to make generalizations based solely on the TerraNova test results examined in this study. In addition, when the test was administered, the EMOs had only completed their second year of management. There are other factors that could not be accounted for such as student ability, operating environment, parental involvement, school climate, and poor prior achievement.
Chapter 2

Review of Relevant Research

The purpose of this study is to compare the reading, language, mathematics, and science standardized test scores of three middle schools: a traditional school and two schools operated by EMOs, one Type II school operated by Foundations Inc., and one Type IV school operated by Victory Inc.

Overview

It is difficult to determine when policymakers made a conscious decision to privatize the instructional portion of school operations. However, there is clear evidence that many times these measurers are adopted as a direct result of state takeover actions. In general, takeovers have created serious perception problems for all schools, particularly EMO operated schools. Not only have EMOs been forced to produce academically, but they must also exist in a school community that questions the takeover concept. One of the earliest examples of an extensive takeover occurred in the state of New Jersey.

Takeover In New Jersey

In New Jersey, the legislature adopted a statute in 1989 that allowed them to take over the Jersey City district in 1989, the country’s first takeover of a district due to financial and academic failure. In 1990, the New Jersey Supreme Court took these actions a step further and rendered a takeover decision in Abbott v. Burke, and the state became responsible for operating three urban districts. The state was attempting to elevate the quality of education in three of the state’s least successful districts.
Tractenberg (2002) reported that professional and public reaction was mixed. The state’s role was scrutinized, and political and media attention was relentless.

School districts were monitored based on five state established regulations:

1. Quality assurance
2. School-level planning
3. Curriculum and instruction
4. Pupil performance
5. Pupil behavior

Tractenberg admitted there is very little serious research on takeovers, so to that extent, Pennsylvania and Philadelphia policymakers are creating history. He indicated that, in general, takeovers are credited with the following:

1. Reducing nepotism within a school district’s decision-making process;
2. Improving a school district’s administrative and fiscal management practices;
3. Removing the threat of teachers’ strikes;
4. Upgrading the physical condition of schools;
5. Implementing innovative programs, such as small school programs and cooperative arrangements between schools and social service contracts.

He went on to say that limited research suggests that student achievement gains often have fallen short of expectations.

The following disadvantages of state control after takeover were offered in his report to the New Jersey legislature in January, 2007. Most, if not all, are easily transferable to the situation in Philadelphia. Some of those listed include:
1. A state takeover suggests that the state has ready answers and personnel capable of turning around poor performance by the most educationally disadvantaged students.

2. The state may place poorly prepared state-selected officials in charge.

3. Takeovers tend to focus on petty corruption and incompetent administration and do not address the problems that impede student learning.

4. Takeover undermines the self-esteem and capacity of administrators, teachers, students, and parents.

5. Takeover creates friction between state and local officials which ultimately drains resources from educational reforms and reinforces community resentment. (Tractenberg, 2002)

Tractenberg (2002) also focused on the impact of the state intervention on other state operated schools, identified best practices in other state intervention schools around the nation, described policy considerations, explained how best practices can be implemented in New Jersey, and encouraged officials to bring key officials from other states to New Jersey to share their experiences and advice. Tractenberg has done extensive work at Rutgers University to not only examine the success of the state takeover, but he was also commissioned to produce a report that advised lawmakers on the return of the Abbott takeover districts to local control. This is an issue that all districts will have to consider after initial takeover action. The process he outlined involved six major considerations that policymakers should consider when returning districts to local control:
1. First, evaluate experiences from other states with field visits and interviews throughout the district,

2. Second, meet with the superintendent and community representatives,

3. Third, investigate in detail other non-educational takeovers in New Jersey and other states to determine how local control was reestablished,

4. Fourth, collect and evaluate all available data regarding district and student performance,

5. Five, develop a road map for establishing local control,

6. Six, develop detailed recommendations for modifications to the state Department of Education's regulations on takeovers. (Trachtenberg)

Research indicates that capacity building must also be considered in takeovers and ultimately has to play a major part when, and if, Philadelphia schools are returned to local control. It would seem to be completely appropriate to consider these components when establishing EMOs. The five areas that deserve consideration include:

1. Managing for Quality:
   Top management support
   Customer focus
   Long-term strategic planning
   Employee training and recognition
   Employee empowerment and teamwork
   Measurement and analysis
   Quality assurance
2. Developing Human Resources:

Recruiting the best and brightest
Providing systematic training
Recognizing diversity
Building services by building teams
Providing employee assistance
Balancing employee and organizational needs

3. Adapting Technologies:

Providing open access to data
Automation for enhanced productivity
Delivering on the public expectations
Cost-effective applications
Cost-cutting techniques

5. Building Partnerships

Community partnerships-citizens and volunteer
Public sector partners
Private Sector partners
Not-for-profit Partners

6. Measuring for Performance:

Establishing goals and measuring results
Estimating and justifying resource requirements
Reallocating resources
Developing organization improvement strategies
Motivating employees to improve performance (Holzer & Callahan, 1998)

Privatization Background

One of the earliest examples of public-private takeover of instructional operations in schools occurred in 1991 between Miami Dade County Florida Public Schools and Education Alternatives, Inc. (EAI), a private, for-profit educational company. EAI received a five-year contract to manage instructional activities at South Pointe Elementary School. EAI was given the same per-pupil allocation that a normal public school would receive to begin and operate a new school. EAI was also permitted to solicit grants and raise money from private sources. South Pointe was subsequently featured on network television and in Time and Newsweek magazine (Peeler & Parham, 1992).

Eventually, EAI lost its contract with Dade County.

EAI also joined forces with Johnson Controls World Service, Inc., and KPMG Peat Marwick in their operation of nine Baltimore Schools. Johnson Controls designs and implements programs to provide high quality, non-instructional services to schools, and Peat Marwick reengineers the business practices. In September 1992, EAI signed a five-year contract with the Baltimore Public Schools. They agreed to operate these schools with the same per-pupil expenditure ($5300) that other schools in the district receive. In the fall of 1995, the contract between EAI and the Baltimore School District was terminated after a controversy arose around spending inconsistencies, primarily with special education (Richards, Baker, & Cilo, 1996).

EAI entered its first district contract with the Hartford, CT public schools in the fall of 1994. By the winter of 1995, the contract was discontinued. Edison, Inc. followed EAI by opening four Edison Partnership Schools in the fall of 1995. Edison is still operating
schools in Philadelphia under the diverse provider model that was established after the
district takeover. Currently 20 schools are operated by Edison (Gill, et al., 2007).

EAI was originally part of a Control Data corporation subsidiary, USSA Private
Schools Inc. CDC had created this company to penetrate the primary and secondary
education computer market, but due to financial difficulties in the 1980s, CDC was
forced to divest 22 businesses, including a sale of USSA Private Schools to John Golle
(Richards, 1995). EAI’s 1994 annual report stated that the company delivers services in
three ways: managing schools, providing consulting services, and distributing proprietary
products.

*Charter School Connection*

The roots of privatization can also be loosely traced to the early days of the
charter school movement in this country. Initially, charter school laws in at least 12 states
allowed management by for-profit firms and by 1997, 10% of the 750 charter schools in
operation were operated by for-profit companies. The state of Michigan leads all states
with 70% of 138 charter schools operated by EMOs (Investor’s Business Daily, 1997).
Michigan’s rules governing EMOs are very different from the way charters’ EMOs are
governed in Pennsylvania. For example in Pennsylvania and other states, charters and
EMOs receive full funding based on the per-pupil expenditure from the state. The
funding mechanisms have labor implications that limit the influence of teacher unions
and eliminate contributions to the state retirement system. Recent studies on the academic
success of charters, with and without EMO managers, showed evidence of achievement
gains, but none of these studies would pass a strenuous test.
Mosaica Education, Inc. opened a school in 1997 in Michigan. The company acquired Advantage Schools, Inc. in 2001 and assumed operations in seven schools. They currently manage 21 charter schools in six states and the District of Columbia. In the fall of 1998 the Mosaica Academy was opened in Bensalem, a suburb outside of Philadelphia. The charter school board cancelled the contract in 2001-02. Two additional schools opened in the fall of 2000: Leadership Learning Partners in Philadelphia and Ronald H. Brown Charter School in Harrisburg. Mosaica ranked below average among peers; Mosaica Academy ranked higher than the two newer schools (Nelson & Van Meeter, 2003). The State of Pennsylvania evaluated the charters in 2001-02 using the Pennsylvania State Student Assessment (PSSA) and found that the charters performed poorly in comparison to similar schools (Miron, Nelson, & Risley, as cited in Nelson & Van Meeter 2002).

Diverse Provider Model

The raging debate continues over the increased involvement of EMOs as operators of schools and districts. However, many policymakers still believe that contracting for schools is a way of re-inventing public education (Hakim, et al., 1994). In 1994, these authors described exactly what has taken place in Philadelphia, in Privatizing Education and Educational Choice, Concepts, Plans, and Experiences. The State of Pennsylvania has forced the School District of Philadelphia to adopt each of the privatization proposals these authors prescribed as methods to increase student achievement. Those methods are:

1. Any private organization, profit-making or non-profit, would be eligible to enter into a contract to manage one or more schools.
2. A contractor would be guaranteed a fixed amount per pupil, plus a management fee.

3. Contractors would use public school buildings at no cost, and the local public education authority would provide a negotiated amount for utilities, incidental repairs, and maintenance; capital expenditures not specific to the contractor’s instructional methods would be made by public education authority.

4. Contractors would hire teachers, either on the open market or from a register of certified teachers, depending on the terms of the contract. Decisions about hiring, promotion, and assignment of individuals would be made by the contractor, subject only to applicable state and federal laws and regulations.

5. School contracts would include specific agreements on the kinds and levels of student outcomes expected and the methods whereby those outcomes would be assessed. (pp. 80-81).

Both EMOs that we will discuss received a guaranteed increased per-pupil expenditure fee. Both Foundations and Victory use public facilities and have negotiated fees for utilities. Both EMOs hired administrators and teachers but have been forced to honor contracts from the Philadelphia Federation of Teachers and The Commonwealth Association of School Administrators. According to the school district, each EMO was contracted to reduce class size, establish after-school programming, and lower student-teacher ratios.
The authors also stated that the primary intent of contractor operation is to "free school from micromanagement by political bodies; allow development of schools with specific approaches to education, so that staff members can feel responsible for what they produce and parents can hold them accountable; and give teachers and principals a strong incentive to collaborate, press one another for good performance, weed out weak staff members, and work as hard as necessary to build their school's clientele." (p. 79) One of the most intriguing questions that remains is can a company such as Victory Inc., which is a for-profit EMO, generate profit. There are a number of studies that have been conducted that have attempted to determine if any company can be profitable operating a public school.

**EMO Profitability**

The School District of Philadelphia renewed contracts for the 2003-2004 school year and for-profit companies received contracts to operate a substantial number of schools. However, in *Thoughts on For-profit Schools*, Henry Levin (2001) stated that profits are suspect and that current evidence shows that gains are limited. Levin indicated that there are questions to be answered when considering these companies as operators:

1. If schools are a potentially profitable endeavor, then why did entrepreneurs wait so long to enter the market? Is there something unique about schooling that makes it difficult to earn a profit?
2. Now that we do have for-profit schools, how will they achieve cost savings? Will they bring fundamentally different approaches to education through curricular and technological innovations that will "break the mold?"
3. Even if they are more effective or less costly, or both, will they earn profits that are comparable to returns on other investments? (p. 3)

At some point, if profits will not be realized, companies will be forced to withdraw from schools thus creating a void in the educational development of a substantial numbers of students.

In Education Management Organizations and the Privatization of Public Education: A Cross-National Comparison of the USA and the UK, John Fitz and Bryan Beers (2001) pointed out that more research must be done to determine if EMOs can sustain the trend that they have established as a co-operator of public schools. Fitz and Beers pointed out that even though organizations continue to pursue operation of public schools, “overall, EMO’s have not experienced the success that was expected of them when they launched into the field of public education” (p. 25).

It is important to note that companies who have decided to enter the chase to operate schools and districts must realize that profits have not been realized by other EMOs because profit margins and overhead calculations have been exaggerated and for the most part have been unrealistic. Guilbert Hentsche, Scot Oschman, and Lisa Snell provided great insight into the profit considerations of EMOs in Education Management Organizations: Growing a For-profit Education Industry with Choice, Competition, and Innovation. They pointed out that for-profit companies have an inherent motivation to reduce cost, which some argue will result in a reduction in services. They also indicated that the additional incentive to compete will result in increased attempts to satisfy clients because if they fail, they can be fired.
Leadership and Capacity Building

Leadership has undergone a dramatic change in many of the schools that we will study. The National Council for the Accreditation of Teacher Education (NCATE) guidelines provide an excellent evaluation tool for leadership vision, organization, school culture, community building, and ethics at each of the schools. Fullan and Hargreaves (1998) pointed out that when schools undergo a change in leadership, leaders must understand the culture and value teachers and promote professional growth. Leaders must also communicate what they value, and they must promote collaboration. Those who lead effectively must also provide choices rather than mandates. Leaders should also use the bureaucracy to facilitate and always make connections with the wider community. Fullan and Hargreaves recommended these guidelines be considered when EMOs determine who will lead their schools.

Katrina Bulkley’s (2003) study, Educational Management Organizations and the Development of Professional Community in Charter Schools, is an intriguing resource that is relevant to leadership in public schools or charter schools. Kruse, Louis, and Bryk (as cited in Bulkley) identified five “elements of practice” central to school leadership in professional communities: shared norms and values, a collective focus on student learning, collaboration, deprivatized practice, and reflective dialogue.

Each of the EMO-operated schools was designated as a low performing school. Henrich Mintrop of the University of California, Los Angeles studied Maryland and Kentucky Schools on probation. His report appeared in the January 15, 2003 edition of Education Policy Analysis Archives where he made the case that the most critical portion of the interventions was a severe lack of teacher “buy in.” He conducted
case studies on 11 schools that were considered low performing. His study asserted that
“putting schools on probation only weakly motivated teachers because the assessments
were largely perceived as unfair, invalid, and unrealistic. Administrators responded with
control strategies that rigidified organizations, forestalling dialog and learning processes.
Instructional reform developed only feebly. The schools struggled with severe problems
of teacher commitment” (p. 7).

During my research, I reviewed an analysis paper prepared by Andrew Sherman
and H. Celeste Turner entitled, Down But Not Out: The Resurgence of Private
Educational Management Organizations (1998). Their report outlined some of the
private interventions that have taken place as far back as the 1970s. They believe
deregulation and the anti-union and anti-government movements are often promoted by a
conservative Congress. They also pointed out that private interventions of this type from
the 70s were abandoned because they did not result in improvement in academic
achievement. They have also provided an informative picture of the business side of two
of the most prominent EMOs in the country, Education Alternatives Incorporated (EAI)
and Edison Incorporated. Both companies have recently been victimized by bad
publicity concerning their effectiveness and profit potential.

Frank R. Kemerer discussed privatization in Legal Issues Involving Educational
Privatization and Accountability (2000). He described how privatization has been
unsuccessful in a number of other facets of society. He pointed out the disappointing
results of the Section 8 public housing voucher program, contracting special education
services, and the privatization of corrections and contrasted the successes of these
programs with privatization in education.
Research for Action is a research organization that is monitoring the progress of the state takeover in Philadelphia. Learning from Philadelphia's School Reform is a research project conducted by Research for Action that assesses the effectiveness of key aspects of the state takeover and the multiple provider model currently in place in Philadelphia (Useem, 2005). In the spring of 2003, Research for Action conducted interviews with principals from 20 schools. Five themes evolved from their qualitative study. Some of the principals' responses were:

Theme 1: Principals value additional materials and resources provided through new managers.

1. Seventeen out of 20 principals specifically mentioned the value of instructional materials or technology their schools have received.

Theme 2: Principals have a range of views about the value of the programs and processes being implemented by new managers.

1. Nine out of 18 principals in schools with new managers describe strong agreement with the overall approach of their managers. They believe that the curriculum, professional development, assessment, and student supports provided by their managers will lead to higher achievement by the students in their schools.

2. Seven out of 18 principals in schools with new managers value some aspects of the program, but disagree with other aspects of the program.

3. Two principals believe that the outside manager is either destructive or brings little of value.
Theme 3: Within each model, there are differences between the ideal and the enacted model.

1. One issue that shapes implementation is 'fit' between the principal and the manager. While some principals seem to appreciate working within the structure defined by an outside manager, other principals describe a sense of conflict with managers that derives from their previous sense of successful leadership and autonomy.

2. Other issues that shape implementation may be strength of principal, size of school, school level, amount of support a principal and school receives from a manager, and principals’ pre-existing social and professional networks within communities, management organizations, or the school district.

Theme 4: Principals describe themselves as serving two (or more) masters

1. Seventeen out of 20 principals interviewed reported overlap, lack of clarity, and/or conflicting directives among various offices (EMOs, central office, regional offices) for various aspects of school operations and instruction.

2. Professional development workshops offered by the EMO and the district often conflict, in terms of schedule and curriculum.

3. Principals are faced with a barrage of tests from the EMO and the district, sometimes with overlapping purposes; they are left wondering which tests are really important.
4. At many EMOs principals are unclear who is responsible for special education.

5. Five EMO principals feel the district treats them as second-class citizens, placing their staffing needs and requests for materials at the bottom of the priority list.

Theme 5: Well-intentioned interventions have unintended consequences

1. Six principals whose schools have extended day programs recognize the worthwhile intent of the program. However, they identified unfortunate side effects of the program including: little time for principals to address other responsibilities after school, discontinuation of pre-existing after school programs, teacher burn-out and lack of availability for professional development, exhaustion by students, and problems related to student safety and transportation.

2. At some privately managed schools, principals value the reduction of class size. However, many principals describe gaps in security, office support, and coverage for absent teachers due to redeployment of staff to the classroom.

Their work is ongoing, and they have already completed studies of many of the EMOs in an attempt to measure their effectiveness. There are only limited examples that demonstrate that EMO intervention improves student achievement. One thing that is very evident is that there is no financial windfall from operating failing schools. Companies such as Edison Inc. and Tesserac T Group, formerly known as Educational Alternatives Inc., have experienced a great deal of difficulty in Pennsylvania and Maryland.
respectively. We must continue to look to the future as we consider AYP goals and objectives. If these companies fail for financial or academic reasons, students become the real losers.

In April 1996, the United States General Accounting Office conducted a study of student achievement results, attendance, and suspension rates from four school districts where EMO operators were contracted to provide some level of management to schools (Blanchette, 1996). Education Alternatives Incorporated (EAI) had a 5-year contract to operate nine schools in the Baltimore City Public School District and 32 schools in Hartford School District. In the Dade County Public School District, EAI implemented its instructional program in only one of the district's schools. Public Strategies Group (PSG) was awarded a 3-year contract in Minneapolis to provide leadership to the district and achieve specific goals in student achievement, attendance, and suspension reduction. The report by the GAO reported that although there were differences in the contracts, the results were mixed. Test results were analyzed in three districts, and standardized achievement results did not substantially improve. However, they did report that attendance improved in Dade County and Minneapolis and that EAI operation enhanced school building repair and improved student access to computers.

The GAO conducted an additional study in October 2003 (GAO, 2003). This study examined EMO operations in six large cities, which is relevant when you consider the School District of Philadelphia is the eighth largest school district in the nation. According to the GAO (2003), the analysis of student achievement results in Cleveland, Denver, Detroit, Phoenix, San Francisco and St. Paul yielded mixed results. Scores increased significantly for fifth grade students in Denver and San Francisco. Results for
fourth grade students in Cleveland were significantly lower, as were fifth grade scores in
St. Paul. In Detroit, scores for fifth grade students were generally lower, and in Phoenix
the GAO found no significant differences in the testing results. In both studies, the GAO
compared EMO results with the scores of students attending traditional public schools.
One of the difficulties in determining the impact of privately managed public schools is
infrequent testing. Many states test different grades. In Philadelphia, only Grades 5, 8,
and 11 were tested when the EMOs were appointed. Philadelphia currently uses
TerraNova to test other grades. The Pennsylvania System of School Assessment (PSSA)
was developed by the state of Pennsylvania to assess student achievement on state
standards. The District has not developed a way to longitudinally track groups of
students. The GAO (2003) indicated that validity is improved when student progress can
be followed over several years. Table 1 shows the testing systems in the six cities studied
by the GAO and Philadelphia, which is the subject of this study.

Table 1

Standardized Testing Systems by State

<table>
<thead>
<tr>
<th>City, State</th>
<th>State administered test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleveland, Ohio</td>
<td>4 Ohio Proficiency</td>
</tr>
<tr>
<td>Denver, Colorado</td>
<td>3-5 Colorado Student Assessment Program</td>
</tr>
<tr>
<td>Detroit, Michigan</td>
<td>4 Michigan Educational Assessment</td>
</tr>
<tr>
<td>Philadelphia, Pennsylvania</td>
<td>5 &amp; 8 Pennsylvania System of School Assessment</td>
</tr>
<tr>
<td>Phoenix, Arizona</td>
<td>2-5 Stanford Achievement Test, 9th Edition</td>
</tr>
<tr>
<td>Source: Pennsylvania Department of Education for the states shown.</td>
<td></td>
</tr>
</tbody>
</table>
Chapter 3

Methodology

The purpose of this study is to determine if standardized test results increase significantly in schools operated by for-profit and non-profit education management organizations. The standardized test results from two EMOs will be compared to standardized test results of a traditional district middle school.

Context of the Study

The three schools in this study were selected because they were listed as poor performing schools by the State of Pennsylvania. The schools were also selected because they have comparable enrollments as shown in Table 2.

Table 2

<table>
<thead>
<tr>
<th>School Type</th>
<th>Total enrollment</th>
<th>Poverty level</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type II</td>
<td>828</td>
<td>71.0%</td>
<td>84.8</td>
</tr>
<tr>
<td>Type III</td>
<td>635</td>
<td>85.9 %</td>
<td>79.2</td>
</tr>
<tr>
<td>Traditional</td>
<td>791</td>
<td>80.9 %</td>
<td>86.7</td>
</tr>
</tbody>
</table>


As a result of the study the following specific questions will be answered:

1. Do the TerraNova reading scores of eighth grade middle school students in three school managed by SDP or two different types of contractors, increase significantly?
2. Do the TerraNova language scores of eighth grade middle school students in three schools, managed by SDP or two different types of contractors, increase significantly?
3. Do the TerraNova mathematics scores of eighth grade middle school students in three
schools, managed by SDP or two different types of contractors, increase significantly?

4. Do the TerraNova science scores of eighth grade middle school students in three schools, managed by SDP or two different types of contractors, increase significantly?

Subject

This study will examine the test scores of students in Grade 8 at three schools. The test results for 557 students were analyzed. There were 181 from the traditional school, 229 from the non-profit, and 147 from the for-profit school. Grade 8 students were selected because it is widely accepted that students need to be well prepared when they enter high school, where the stakes associated with achievement and failure are often high. To be a participant in this study, a student had to be enrolled in the same school in October 2002 and April 2003 when the TerraNova tests were administered.

Instruments

The purpose of this study was to determine if student achievement in two EMO schools increased significantly as compared to a traditional middle school. An analysis of variance seeks to find significant differences between groups (schools) by comparing the means of the groups. The analysis of variance also looks for differences among means by comparing the variances both within and across groups.

The TerraNova was developed by CTB/McGraw Hill (Mc Graw Hill). The TerraNova is a norm-referenced achievement test that measures basic concepts and skills commonly taught in schools throughout the country. The TerraNova assessments are norm-referenced and measure a student's acquired knowledge and skills in four content areas, reading, language, mathematics, and science. Each section of the test compares a student with a specified reference group of the same grade.
In this study, scaled scores were used because, unlike percentile-rank scores which are often used to describe students’ achievement, these are scores form an equal interval scale that can be used for computation of statistics. In addition, the achievement described by a scaled score is constant across levels of the tests comprising the TerraNova battery, an important property because different test levels were used for the fall and the spring administrations. Scaled scores from level 17 of the TerraNova, administered in October 2002 at the beginning of eighth grade, and level 18 to the same students in April 2003, fairly near the end of the grade are analyzed in this study.

Procedure

The October 2002 and April 2003 TerraNova scaled scores for reading, language, mathematics and science are maintained by the school district. The Grade 8 TerraNova results from October 2002 and April 2003 for each of the EMO operated schools and the traditional school were obtained from the district by matching ID numbers for students who were enrolled when the assessments were administered. Any students who did not participate in the pretest or the posttest were eliminated for this analysis.

Analysis

Four two-way analyses of variance (ANOVAs), each with one repeated measures, were used to analyze the data. The main effects were the School (or type of school), and the repeated measure, Time, the typical difference between students’ scores on the October 2003 and April 2004 tests. In addition, each analysis yielded an interaction between School and Time, which addressed the main question of the study: Did the
models in each school result in different rates of growth from the fall pretest to the spring posttest?

Four ANOVAs were carried out, one for each of the type of scaled score reading, language, mathematics, and science. In these analyses, significant interactions would have indicated that the schools managed in the three different ways produced different rates of growth, most likely as a result of different effects of the programs being offered by the school district and the contractors. In addition to these analyses, tables of mean scaled scores, standard deviations, and graphs of mean scaled will be used to describe overall levels of achievement at each type of school and identify the schools and program operators that experience the most growth.
Chapter 4

Results

The purpose of this study is to compare the reading, language, mathematics, and science standardized test scores of three middle schools, a traditional school and two schools operated by EMO organizations, one Type II school operated by Foundations Inc. and one Type IV school operated by Victory Inc. The three schools in this study were selected because they were listed as poor performing schools by the State of Pennsylvania Department of Education. The test results for 557 Grade 8 students were analyzed. A review of the data for each of the three schools included in the study yielded the following results.

Reading

Table 3 shows the mean reading NCE scores for the three types of schools in the fall (pre) and in the spring (post). Table 4 shows the results of the analysis of variance. The mean reading NCE three types of schools were significantly different from each other $F(2,554) = 12.806, p < .001$ The combined pre-post means were 40.20 for Traditional, 38.50 for Type II and 32.72 for Type IV. Both in the fall and the spring, Traditional was the highest scoring school, while Type IV was the lowest scoring.

The mean reading NCE score of students in all three schools in the study increased from pre to post to a statistically significant degree $F(1,544) = 103.17, p < .001$. The overall pre-reading score mean of 35.02 increased to 40.04 post, showing that the typical student in the study had measurably achieved during the school year.

The Pre-to-Post by Type of School interaction was not, however, statistically
significant $F(2, 544) = 0.596$. As shown in Table 3, the treatment schools increased between 4.4 and 5.4 NCEs.

Table 3 indicates that the pre to post TerraNova reading test scores increased at each school. This is encouraging for each of the schools included in the study and indicates reading progress is being made at each school. Figure 1 shows a positive trend for each school included in the study. However, in answer to the question do the TerraNova reading scores of eighth grade middle school students in three schools one managed by the School District of Philadelphia or two different types of education management organizations, grow at different rates, the results indicate that there was no statistically significant increase in the reading scores at each school when compared to each other.

Table 3

*Reading Scales Score Means and Standard Deviations*

<table>
<thead>
<tr>
<th>School Type</th>
<th>Pre N</th>
<th>Pre M</th>
<th>Pre SD</th>
<th>Post M</th>
<th>Post SD</th>
<th>Combined M</th>
<th>Difference between M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>181</td>
<td>37.51</td>
<td>15.73</td>
<td>42.90</td>
<td>16.12</td>
<td>40.20</td>
<td>5.39</td>
</tr>
<tr>
<td>Type II</td>
<td>229</td>
<td>36.32</td>
<td>13.95</td>
<td>40.70</td>
<td>13.53</td>
<td>38.50</td>
<td>4.38</td>
</tr>
<tr>
<td>Type IV</td>
<td>147</td>
<td>29.94</td>
<td>16.97</td>
<td>35.51</td>
<td>14.51</td>
<td>32.72</td>
<td>5.01</td>
</tr>
<tr>
<td>Total</td>
<td>557</td>
<td>35.02</td>
<td>15.65</td>
<td>40.04</td>
<td>14.92</td>
<td>37.53</td>
<td>4.99</td>
</tr>
</tbody>
</table>
Table 4

*Reading Analysis of Variance*

<table>
<thead>
<tr>
<th>Source</th>
<th>$\bar{F}$</th>
<th>$df$</th>
<th>$p$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of school</td>
<td>12.806</td>
<td>2, 554</td>
<td>.001</td>
</tr>
<tr>
<td>Pre to post</td>
<td>103.172</td>
<td>1, 554</td>
<td>.001</td>
</tr>
<tr>
<td>Pre to post by type of school</td>
<td>0.596</td>
<td>2, 554</td>
<td>.551</td>
</tr>
</tbody>
</table>
Figure 1. Pre-to-post change in reading NCEs.
Language

Table 5 shows the mean language NCE scores for the three types of schools in the fall (pre) and in the spring (post). Table 6 shows the results of the analysis of variance. The mean language NCE scores of the three types of schools were significantly different from each other $F(2, 544) = 15.183, p < .001$. The combined pre-post means were 39.49 for Traditional, 38.61 for Type II and 31.52 for Type IV. Both in the fall and the spring Traditional was the highest scoring school, while Type IV was the lowest scoring.

The mean language NCE score of students in the all three types of schools in the study increased from pre to post to a statistically significant degree $F(1, 554) = 87.46, p < .001$. The overall pre-language score mean of 34.83 increased to 39.22 post, showing that the typical student in the study had measurably achieved during the school year.

The Pre-to-Post by Type of School interaction was not, however, statistically significant $F(2, 554) = 1.56$. As shown in Table 5, the treatment schools increased between 3.4 and 5.2 NCEs.

Table 5 indicates that the pre to post TerraNova Language test scores increased at each school. This is encouraging for each of the schools included in the study and indicates language progress is being made at each school. Figure 2 shows a positive trend for each school included in the study. However, in answer to the question do the TerraNova language scores of eighth grade middle school students in three schools, one managed by the School District of Philadelphia or two different types of education management organizations grow at different rates, the results indicate that there was no statistically significant increase in the language scores at each school when compared to each other.
Table 5

*Language Scaled Score Means and Standard Deviations*

<table>
<thead>
<tr>
<th>School type</th>
<th>$N$</th>
<th>$M$</th>
<th>$SD$</th>
<th>$M$</th>
<th>$SD$</th>
<th>Combined $M$</th>
<th>Difference $M$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>181</td>
<td>36.91</td>
<td>16.24</td>
<td>42.07</td>
<td>14.66</td>
<td>39.49</td>
<td>5.16</td>
</tr>
<tr>
<td>Type II</td>
<td>229</td>
<td>36.92</td>
<td>16.37</td>
<td>40.31</td>
<td>13.05</td>
<td>38.61</td>
<td>3.39</td>
</tr>
<tr>
<td>Type IV</td>
<td>147</td>
<td>29.03</td>
<td>16.93</td>
<td>34.01</td>
<td>14.44</td>
<td>31.52</td>
<td>4.98</td>
</tr>
<tr>
<td>Total</td>
<td>557</td>
<td>34.83</td>
<td>16.81</td>
<td>39.22</td>
<td>14.30</td>
<td>37.03</td>
<td>4.39</td>
</tr>
</tbody>
</table>

Table 6

*Language Analysis of Variance*

<table>
<thead>
<tr>
<th>Source</th>
<th>$F$</th>
<th>$df$</th>
<th>$p$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of school</td>
<td>15.183</td>
<td>2, 554</td>
<td>.001</td>
</tr>
<tr>
<td>Pre to post</td>
<td>87.464</td>
<td>1, 554</td>
<td>.001</td>
</tr>
<tr>
<td>Pre to post by type of school</td>
<td>1.560</td>
<td>2, 554</td>
<td>.211</td>
</tr>
</tbody>
</table>
Figure 2. Pre-to-post change in language NCEs.
Mathematics

Table 7 shows the mean mathematics NCE scores for the three types of schools in the fall (pre) and in the spring (post). Table 8 shows the results of the analysis of variance. The mean mathematics NCE scores for the three types of schools were significantly different from each other $F(2,546) = 21.987, p < .001$ The combined pre-post means were 36.67 for Traditional, 33.235 for Type II and 26.98 for Type IV. Both in the fall and the spring Traditional was the highest scoring school, while Type IV was the lowest scoring.

The mean mathematics NCE score of students in the all three types of schools in the study increased from pre to post to a statistically significant degree $F(1,546) = 616.319, p < .001$. The overall pre-mathematics score mean of 27.61 increased to 37.87 post, showing that the typical student in the study had measurably achieved during the school year. The Pre-to-Post by Type of School interaction was statistically significant $F(2,546) = 8.665$. As shown in Table 7, the treatment schools increased between 8.5 and 12.6 NCEs. The largest difference was in the school operated by the district.

Table 7 indicates that the pre to post TerraNova Mathematics test scores increased at each school. This is encouraging for each of the schools included in the study and indicates mathematics progress is being made at each school. Figure 3 shows a positive trend for each school included in the study. In answer to the question do the TerraNova mathematics scores of eighth grade middle school students in three schools, one managed by the School District of Philadelphia or two different types of education management organizations grow at different rates, the results indicate that there was a statistically significant increase in the math scores at each school when compared to each other.
### Table 7

*Mathematics Scaled Score Means and Standard Deviations*

<table>
<thead>
<tr>
<th>School Type</th>
<th>N</th>
<th>M</th>
<th>SD</th>
<th>M</th>
<th>SD</th>
<th>Combined M</th>
<th>Difference M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>181</td>
<td>30.37</td>
<td>14.33</td>
<td>42.97</td>
<td>15.06</td>
<td>36.67</td>
<td>12.60</td>
</tr>
<tr>
<td>Type II</td>
<td>229</td>
<td>28.49</td>
<td>13.52</td>
<td>37.98</td>
<td>13.51</td>
<td>33.23</td>
<td>9.49</td>
</tr>
<tr>
<td>Type IV</td>
<td>147</td>
<td>22.73</td>
<td>12.98</td>
<td>31.25</td>
<td>13.97</td>
<td>26.98</td>
<td>8.52</td>
</tr>
<tr>
<td>Total</td>
<td>557</td>
<td>27.61</td>
<td>13.95</td>
<td>37.87</td>
<td>14.81</td>
<td>32.74</td>
<td>10.26</td>
</tr>
</tbody>
</table>

### Table 8

*Mathematics Analysis of Variance*

<table>
<thead>
<tr>
<th>Source</th>
<th>F</th>
<th>df</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of school</td>
<td>21.987</td>
<td>2, 546</td>
<td>.001</td>
</tr>
<tr>
<td>Pre to post</td>
<td>616.319</td>
<td>1, 546</td>
<td>.000</td>
</tr>
<tr>
<td>Pre to post by type of school</td>
<td>8.665</td>
<td>2, 546</td>
<td>.000</td>
</tr>
</tbody>
</table>
Figure 3. Pre-to-post change in math NCEs.
Science

Table 9 shows the mean science NCE scores for the three types of schools in the fall (pre) and in the spring (post). Table 10 shows the results of the analysis of variance. The mean science NCE scores of the three types of schools were significantly different from each other \( F(2,526) = 31.505, p < .001 \). The combined pre-post means were 37.77 for Traditional, 32.68 for Type II and 27.19 for Type IV. Both in the fall and the spring, Traditional was the highest scoring school, while Type IV was the lowest scoring.

The mean science NCE score of students in the all three types of schools in the study increased from pre to post to a statistically significant degree \( F(1,526) = 389.412, p < .01 \). The overall pre-science score mean of 28.35 increased to 37.44 post, showing that the typical student in the study had measurably achieved during the school year.

The Pre-to-Post by Type of School interaction was statistically significant \( F(2,526) = 20.852 \). As shown in Table 9, the treatment schools increased between 6.9 and 13.3 NCEs. The largest gains were in the school operated by the district.

Table 9 indicates that the pre to post TerraNova science test scores increased at each school. This is encouraging for each of the schools included in the study and indicates science progress is being made at each school. Figure 4 shows a positive trend for each school included in the study. In answer to the question do the TerraNova Science scores of eighth grade middle school students in three schools, one managed by the School District of Philadelphia or two different types of education management organizations grow at different rates, the results indicate that there was a statistically significant increase in the science scores at each school when compared to each other.
## Table 9

*Science Scaled Score Means and Standard Deviations*

<table>
<thead>
<tr>
<th>School type</th>
<th>N</th>
<th>Pre M</th>
<th>SD</th>
<th>Post M</th>
<th>SD</th>
<th>Combined M</th>
<th>Difference M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>181</td>
<td>31.11</td>
<td>12.05</td>
<td>44.44</td>
<td>16.75</td>
<td>37.77</td>
<td>13.33</td>
</tr>
<tr>
<td>Type II</td>
<td>229</td>
<td>29.08</td>
<td>10.01</td>
<td>36.28</td>
<td>12.84</td>
<td>32.68</td>
<td>7.20</td>
</tr>
<tr>
<td>Type IV</td>
<td>147</td>
<td>23.77</td>
<td>11.46</td>
<td>30.62</td>
<td>13.01</td>
<td>27.19</td>
<td>6.85</td>
</tr>
<tr>
<td>Total</td>
<td>557</td>
<td>28.35</td>
<td>11.43</td>
<td>37.44</td>
<td>15.21</td>
<td>32.90</td>
<td>9.09</td>
</tr>
</tbody>
</table>

## Table 10

*Science Analysis of Variance*

<table>
<thead>
<tr>
<th>Source</th>
<th>F</th>
<th>df</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of school</td>
<td>31.505</td>
<td>2, 526</td>
<td>.001</td>
</tr>
<tr>
<td>Pre to post</td>
<td>389.412</td>
<td>1, 526</td>
<td>.001</td>
</tr>
<tr>
<td>Pre to post by type of school</td>
<td>20.852</td>
<td>2, 526</td>
<td>.001</td>
</tr>
</tbody>
</table>
Figure 4. Pre-to-post change in science NCEs.
The results indicate that academic achievement levels, as measured by TerraNova improved in each of the schools in the study. In answer to the question, do student achievement levels increase in middle schools that are operated by Type II non-profit and Type IV for-profit EMOs as compared to middle schools traditionally operated and managed by the School District of Philadelphia, the results indicate that the student achievement in reading and language did not improve at a statistically significantly different level when compared to each other. In regards to mathematics and science, student achievement levels were statistically significantly higher in the traditional school than the levels at non-profit and for-profit schools.

Each of the schools employed the Mathematics in Context math materials supplied by Encyclopedia Britannica Educational Corporation (Encyclopedia Britannica Educational Corporation). In Mathematics in Context, in a typical unit, students (a) are introduced to mathematical objectives along with engaging questions in a letter to the student; (b) work through a thematic series of activities and problems, each of which lasts several days and involves group and independent work; (c) complete summary questions at the end of each section, intended to facilitate the integration and consolidation of the concepts and skills they have been studying; and (d) work on a series of assessment activities designed to evaluate major goals of the unit as they are applied to real-world contexts. There are 10 modular units for each grade level (5/6, 6/7, 7/8, and 8/9). Each unit contains four to eight sections. Assessment includes ongoing assessment opportunities, such as problem solutions and other products within the activities, section summary questions, and end-of-unit assessment activities. Other tools for assessment include teacher observations, interactive responses, writings, optional teacher- or student-
designed projects, and suggestions for student self-evaluation, portfolios, and teacher-created assessments.
Chapter 5

Summary, Findings, Conclusions, and Recommendations

Summary of the Study

The purpose of this study is to compare the reading, language, mathematics, and science standardized test scores of three middle schools; a traditional school and two schools operated by EMOs, one Type II school operated by Foundations Inc., and one Type IV school operated by Victory Inc. The investigation employed analysis of variance (ANOVA) using TerraNova scaled scores from the fall of 2002 and the spring of 2003. The scaled scores for Grade 8 students were analyzed to determine how students responded to the treatment, which was the provider type. All eighth grade students who took the TerraNova exams at each school served as the population.

Findings

The overarching reform efforts of NCLB specify a range of interventions that can be applied by states to districts and to schools that are chronically low performing. Several of the interventions that can be enacted are a state takeover of a district, “the reconstitution” (replacement) of the staff, the outsourcing of a school’s management to non-profit organizations and for profit companies (EMOs), and the conversion of a district school to public charter (Brady, 2003). No Child Left Behind (2002) has mandated that districts and schools that have not made Adequate Yearly Progress for 2 or more consecutive years are designated as schools in need of corrective action. As a result of this mandate, the School District of Philadelphia was taken over by the State of Pennsylvania. By definition, the word takeover in education means the group or organization operating the district is being removed for failure either academically and/or
financially. In Philadelphia, the decision was made to replace the school board and appoint a School Reform Commission (SRC) of five to oversee the district. Paul Vallas was appointed Chief Executive Officer in 2002, and under Vallas the diverse provider model was introduced as a joint venture between public and private organizations. Vallas was not directly responsible for the model, but he did a good job collaborating with EMOs and other organizations. One central office administrator claimed “that this is not going to fail because we got in the way” (Useem, 2005). The District created a contact person that helped providers navigate District procedures, and the Office of Human Resources worked diligently with EMOs to staff their schools. This single fact is unusual, as many private operators including charter schools are responsible for their own staffing. What is interesting about this relationship is that this also meant that the EMOs were expected to honor existing teacher contracts, which some policymakers and administrators view as an obstacle to meaningful reform. Vallas and the SRC also did not openly make comparisons among the providers and maintained a level of transparency. One insider stated, “The openness is a real shift, because the district was always very closed and very vain about their own stuff.... It is a huge shift on the district’s part to be able to embrace and engage these outside entities as partners” (Useem, 2005, pp. 8-9).

When the SRC took over operations in the district, it was very clear about its expectations and standards. In the first year of the model, the SRC terminated a contract with Chancellor Beacon Academies, a for-profit EMO, for lack of performance. The five schools operated by Chancellor Beacon were reassigned to the district.

The analysis of variance conducted for this study revealed that student achievement was comparable in reading and language in each of the schools included in
the study. The mean reading and language scores for students in all three types of schools in the study increased. Results in mathematics and science improved at a greater rate in the school that was operated by the school district. Based on the results of the study, student achievement in mathematics and science is significantly better in schools operated by the district.

**Implications**

The main goal of all recent reforms is to develop strategies that will ultimately break the cycle of poor student performance. There are several very important implications that must be discussed in Philadelphia and other districts as they search for ways to measure the cost versus benefits of takeover measures such as the diverse provider model. From a cost standpoint, many company managers and private providers claim that outsourcing is less expensive and makes sense in a competitive market. The EMOs in this study both received an additional $750.00 per pupil annually. The community has argued that these dollars could be used in district operated schools.

In 2007, the district renewed the contracts of the two providers in this study. The rationale was summarized by the following statements from Mr. Vallas (Useem et al., 2006):

- Partnerships help address leadership gaps….The issue is not really financial.
- The key struggle is leadership. Who will manage the process of the School District of Philadelphia converting to high schools? We need to give management partners the responsibility of managing the creation of new high school…..We can’t wait 5 to 10 years. We need institutionalized change now, and that’s where
private providers and the diversified management model allow us to accelerate change.

Charter schools and EMOs and other market based reforms were developed to spur competition in public schools. In Philadelphia, there is very little market incentive as each of the providers have indicated that reform cannot be done under the current per-pupil expenditure, and each provider seems to be taking the fact that they do not want to be the provider who performs worse than the others (Useem, 2005). There are long-term implications for this fundamental change in philosophy. Many in the school community wonder what will happen to the students and teachers in each of these schools as they continue to exist in an admittedly underfunded, underachieving environment.

NCLB implications are stringent for districts and schools that are designated as failing schools. Consequently, each year the SRC must review existing contracts and consider intervention for schools that are listed for corrective action. Should the School Reform Commission continue to provide additional support to EMOs via increased per-pupil allocations, or should these funds be redirected to proven strategies that reveal that they can turn around failing schools in urban environments? For example, the district experienced success in the restructured schools, which were district operated schools with an intervention laden curriculum. Will the SRC be able to continue to justify increased expenditures for EMOs when there are district operated low-performing schools who are producing academic gains despite a lack of increased funding? What gains would justify additional expenditures? Should contracts be renewed if academic achievement levels are no larger than district operated schools? Students who attend these persistently
underachieving schools will undoubtedly be impacted the most by the SRC's decisions to renew or terminate EMO contracts.

Conclusions

The goal of the state takeover by the Governor of Pennsylvania and the Pennsylvania legislature was to provide fiscal responsibility to the School District of Philadelphia and to improve student achievement. Philadelphia's initiative with EMOs began in 2001 after Pennsylvania state leaders and city officials negotiated a takeover of the 210,000-student system. Part of the agreement stated that 45 schools were to be run by for-profit and non-profit entities. The EMO with the most schools in Philadelphia is Edison Schools Inc., other for-profit managers were Foundations Inc., Victory Inc., local universities, and community groups. The district initiated several other reforms under the takeover. Sixteen low-performing schools known as the "sweet sixteen" were included in limited intervention programs; other schools were identified by the district as restructured schools. The findings of an analysis conducted for the Annenberg and William Penn Foundations and for the Accountability Review Council for the School District of Philadelphia were as follows (Gill et al., 2007):

1. Sweet 16 schools: There were no statistically significant effects, positive or negative, in reading or math, in any of the 4 years in which they received additional resources.

2. Privately managed school (as a group): There were no statistically significant effects, positive or negative, in reading or math, in any of the 4 years after takeover.
3. Restructured schools: There were significantly positive effects in math in all 3 years of implementation and in reading in the first year. In the fourth year, after the Office of Restructured Schools had been disbanded and additional resources for the schools had ceased, the former restructured schools maintained a substantial although only marginally statistically significant) effect in math.

4. Individual providers showed few clear effects after 4 years, but there is reason for concern about the negative results for Temple and Victory schools.

The results of this study indicate that student achievement does not increase significantly when for-profit or non-profit organizations become school managers. The conclusion is that state intervention has made a moderate impact academically but still must tailor or revise interventions so that monies are not spent on interventions that do not produce the desired results. In addition, the district’s financial condition is bleak, with the district reporting an estimated 150 million dollar deficit for the 2007-08 school year.

Recommendations for Practice

In 1994, federal legislation established a set of goals designed to bring about the much needed reform of our educational system. They enacted Goals 2000: Educate America Act, which declared:

By the year 2000:

1. All children in America will start school ready to learn.

2. The high school graduation rate will increase to at least 90 percent.
3. All students will leave grades 4, 8, and 12 having demonstrated competency over challenging subject matter including English, mathematics, science, foreign languages, civics and government, economics, the arts, history, and geography, and every school in America will ensure that all students learn to use their minds, so they may be prepared for responsible citizenship, further learning, and productive employment in our nation's modern economy.

4. United States students will be first in the world in mathematics and science achievement.

5. Every adult American will be literate and will possess the knowledge and skills necessary to compete in a global economy and exercise the rights and responsibilities of citizenship.

6. Every school in the United States will be free of drugs, violence, and the unauthorized presence of firearms and alcohol and will offer a disciplined environment conducive to learning.

7. The nation's teaching force will have access to programs for the continued improvement of their professional skills and the opportunity to acquire the knowledge and skills needed to instruct and prepare all American students for the next century.

8. Every school will promote partnerships that will increase parental involvement and participation in promoting the social, emotional, and academic growth of children (p. 301)

The No Child Left Behind (2002) legislation is up for reauthorization in 2008, and in all likelihood, it will continue to stress standardized testing and sanctions for
failing schools and districts. According to Cuban, the most common practices that
districts will undertake include changes in school governance, curriculum, textbooks,
teacher training, teacher certification, leadership preparation, and educational funding
(Cuban, cited in Levin, 2006).

In a study conducted in January 2003 superintendents were surveyed from 2,318
districts across the nation regarding privatization. They were divided on the merit of
contracting these services. Only 17% had contracted with private providers for
instructional services, and 90.7% never considered contracting with an educational
management organization to manage an entire school. These leaders also reported that
70.1% of teachers unions, 59.8% of teachers, 41.8% of school district personnel, 34.5%
of their school boards, 23.3% of parents, and 23.3% of their communities strongly
opposed contracting with private providers for instructional services (Belfield & Wooten,
2003).

Superintendents also indicated that there is general acceptance of federal
initiatives to improve the quality of education in this country, but enhancing the
effectiveness of the teaching profession outweighs policies that stress increased test
scores and parental involvement. They reported that the greatest factors in improving
public education are highly qualified teachers in every classroom by 2005 (75.0),
reducing bureaucracy and increasing flexibility (67.4), accountability for student
performance (62.4), empowering parents (38.3), annual testing of students in reading and
math (37.2), report cards on school performance for parents and taxpayers (25.0)
(Belfield & Wooten, 2003).
The implications for practice as they relate to this study indicate that nationwide district leaders have not considered EMOs as a large component of reform efforts. They also believe that the real solutions lie in the level of expertise in the classrooms not in the organization that operates the schools. Therefore, serious consideration must be given to stress effective professional development and to develop programs that will ensure that the best and the brightest are in the most challenging schools. Consequently, the additional $750.00 additional per-pupil expenditures could be directed toward teacher development and training.

As policymakers grapple with ways to promote the lofty objectives of Goals 2000, it is unclear how the continued practices of takeover, reconstitution, and privatization will assist schools and districts in meeting these goals. Based on the results of this study and other research, it would appear that the practice of appointing outside organizations will continue, despite concerns that many EMOs struggle with a culture of failure, community intrusion, mediocre teaching, poor student performance, socioeconomic status (SES), issues and limited leadership pools.

In Philadelphia, under Vallas, the district increased the number of relationships with businesses, universities, community groups, foundations, city programs, faith-based groups, and local cultural institutions, and national for-profit corporations. One of the concerns that has evolved since the diverse provider model was introduced in 2001 is the selection process has been hidden from public view and was very limited and narrow. According to Clarence Stone, long-term improvement in an urban district requires a broad-based political coalition with a vision and commitment to urban students (Stone, as cited in Blane & Simon, 2007).
Paul Vallas resigned in the summer of 2007, and an interim superintendent has been appointed until a national search can be completed. Despite the uncertainty that exists in the district, Vallas’ replacement and the School Reform Commission will be charged with the responsibility to decide whether the district should continue the practice of contracting instructional services to educational management organizations at the current level or increase their involvement. When contracts were secured by for-profit EMOs the expectation was that they would improve student performance and reduce costs by reallocating funding from administrative overhead to classrooms. Several studies have found that there are greater administrative costs than a comparable traditionally operated public school (Hannaway & Sharkey, 2004). In Philadelphia, EMOs received $22,000 more per classroom than a comparable public school, and even greater additional resources were received in Baltimore when the district entered contracts with EMOs (Miron and Nelson, 2002). A Rand study evaluated Edison Schools and found that after 5 years of operation, achievement results in reading were no better than scores from comparable public schools, and although Edison did show higher achievement in mathematics, the gains were not statistically significant (Gill et al., 2005).

A number of studies indicate that leadership by a committed and dynamic school head is one of the central elements of effective schools (Barth, 1980; Edmonds, 1979; Riehl, 2000; Semel, 1992; Semel & Sadovnik, 1999, as cited by Tractenberg, 2002). Several other studies also pointed out that teacher leadership and empowerment are equally essential for urban school reform (Ayers, 1992; Silva, Gimbert, & Nolan, 2000, as cited by Tractenberg, 2002).
In depth research on school effectiveness has also concluded that some of the best practices at the district and school level revolve around leadership from both organizational entities. At the district level it is imperative that the district leadership target interventions for low-performing students and/or schools. The EMO/diverse provider model is directed toward struggling schools, but very few attempts are made to monitor the performance of struggling student groups within these organizations. According to the National Center for Educational Statistics (NCES, 2000), schools must also provide leadership practice that provides:

1. Direction, guidance, and support;
2. School goals that are clearly identified, communicated, and enacted;
3. A school faculty that collectively takes responsibility for student learning;
4. School discipline that establishes an orderly atmosphere conducive to learning; and
5. School academic organization and climate that challenges and supports students toward higher achievement (NCES, 2000).

Paul Vallas, the former CEO, maintained that finances are not really the issue when he stated “the key struggle is leadership not financial.” Take the case of Central Park East Secondary School in New York City (CPESS), an urban school located in New York City that defied the odds and became a model for the country. Under their founder, Deborah Meier, the school focused on five major intellectual habits:

1. Concern for evidence (how do you know that?)
2. Viewpoint (who said it and why?)
3. Cause and effect (what led to it, what else happened?)
4. Hypothesizing (what if? Setting out hypotheses)

5. Who cares (what difference does it make, to whom)

The results were less than a five percent dropout rate with a student population that was predominately poor and minority (Levin, 2006). Because of Meier’s inspirational leadership and others on her staff, the school received substantial extra funding from government and philanthropic foundations and was allowed to use substantial autonomy. Meier left in 2005 and explained what happened after she left. She pointed to increased enrollment, departure of experienced teachers, and watering down special programs in reaction to greater emphasis on standardized testing (as cited by Levin, 2006). The clear implication here is that unless we place additional emphasis on developing leadership that inspires and provides role models for students and staff and attracts talented personnel, children will continue to fail. These are areas that must be considered in the context of assigning and selecting EMOs in the future.

Recommendations for Policy

In January 2002, George Bush signed the No Child Left Behind Act (NCLB) into law (NCLB 2002). The major thrust of the law was to require states to develop an approach to testing and accountability that would improve academic achievement for all children and close the achievement gaps between different races, ethnic, and income groups, and at the same time, improve failing schools. This policy direction has caused many states to take substantial action against schools and districts across the nation. In Philadelphia, a takeover was enacted by the State of Pennsylvania.

The initial takeover in Philadelphia was designated to last for a period of 7 years and will expire in 2008. It was initiated under the former republican administration. The
debate concerning the return of the School District of Philadelphia to local control has not officially begun. Governor Edward Rendell heads the current state administration. Michael Nutter was recently elected as the Mayor of Philadelphia. Leading the district into the future will be a daunting task for anyone given the fact that acting administrators currently hold the top three administrative positions in the district; chief executive officer, chief operating officer and chief academic officer. At some point, the governor and the legislature must decide if the district is better off now than it was 7 years ago. In addition to the leadership void that exists, there are several other concerns that must be considered.

There is an approximate 150 million-dollar deficit. This occurred under state control by way of the state established School Reform Commission (SRC). In 2000, state legislators cited fiscal responsibility and a balanced budget as one of the main reasons to enact a takeover. The previous SRC Chairman, James Nevels, was appointed by Governor Schweiker because of his vast experience with corporate and financial matters. The district has also been under constant fire from community organizations, parents, teachers, and administrators concerning charter schools and EMOs. Their sentiments echo the vast majority of research that reveals students are not making significant progress in schools that are operated by outside entities. Whatever policies are considered or are enacted, it appears that greater attention must be given to the sentiments and concerns of the citizens of Philadelphia.

It is unclear if and when the State of Pennsylvania will consider returning the School District of Philadelphia to local control. However, when you consider student achievement levels, the financial condition of the district and the limited success of
EMOs, the governor of Pennsylvania, the legislature, and the mayor of Philadelphia will undoubtedly consider the return of the district to local control at some point in the future.

The huge budget deficit forced the district to place all EMO operated schools in the entire city into one cohort called the EMO Region. Day-to-day operations and district policies are monitored by a regional superintendent. However, day-to-day instructional activities are still facilitated by the designated EMO. Contracts are developed and administered by the Office of Development (Blanc & Simon, 2007). Initially the School Reform Commission delegated management of 45 schools to private operators. There are currently 35 schools operated by EMOs (Appendix A).

Six years after the implementation of these policies, the research on the effects of privatizing instructional management is still inconclusive. The General Accounting Office (GAO) also studied student achievement results in privately managed and traditional schools (20030). The GAO determined that in one city, the traditional schools’ achievement levels were higher, and schools in another city were higher in the for-profit schools. In this study, achievement levels indicated that there was no significant achievement gain under EMO management. Other researchers have determined several key factors. In all cases, the EMO schools were all high poverty, had significantly higher percentages of non-certified teachers, and slightly lower retention rates (MacIver & Mac Iver, 2006).

On the issue of the state takeover, which was the catalyst of this study and the introduction of the diverse provider model experiment, the results are still generally inconclusive. This is primarily because Philadelphia’s achievement levels as compared to
other low-performing schools in the state showed no substantial increase (Gill, et al. 2007).

Tractenberg (2002) offered this advice to policymakers. Four states have been recognized as takeover models; California, Connecticut, West Virginia, and Kentucky. According to Tractenberg, improved pupil performance is the goal of each statutory scheme, but performance of administrators and decision-makers is assessed by a measure of pupil performance only in West Virginia, and their measure is not a statutory requirement (Tractenberg, 2002). In New Jersey, the state took control of the Jersey City school district in 1989, the Paterson school district in 1991, and the Newark school district in 1995. In all three instances, the state was required to provide technical assistance for district administrators, but most importantly, state district superintendents were directed to assess and report to the Commissioner annually on the district’s progress toward meeting established certification requirements. If after 5 years of state operation the Commissioner determines that he cannot recommend return to local control, he is to prepare a detailed analysis of his determination to the State Board, the governor and the legislature. Even though this policy was not fully functional in New Jersey according to a New Jersey state report by Paul Tractenberg, it would appear that at least the concept that the state legislators designed was considered to be an important component of current and future policy.

Overall student achievement in Philadelphia has improved at a modest rate with most of the gains coming from district-operated schools. If the state makes the decision to keep the SRC in place, they must evaluate the use of charter schools, EMOs, restructured schools, and other interventions.
Recommendations for Future Research

The federal No Child Left Behind Act (NCLB, 2002) was adopted to expand the Elementary and Secondary Education Act. One of the major messages was that the government would assume a more aggressive role to improve poorly performing schools. The law required more emphasis on student achievement than under the previous law: By 2005-06 students were to be tested using a state-developed test, in mathematics and reading/language arts annually in Grades 3 through 8, and at least once in Grades 10 to 12. By 2007-08, students were to be tested in science at certain grade level; and states were directed to administer a national assessment test to a sample of students (NCLB 2002). The law further stipulated that the state tests must be aligned to state academic standards, must produce results that can diagnose weaknesses, and they must be disaggregated by racial and ethnic group, income, students with disabilities, limited English proficiency and migrant students. Each school is also required to test at least 95% of its students, and each student group mentioned above must meet or exceed the annual objectives set by the government.

There is a raging debate in Congress concerning the effectiveness and practicality of NCLB. The bill is due to be reauthorized in 2007, and additional studies around the outcomes of the NCLB interventions, namely takeovers and school choice, would be useful in evaluating the current law.

Some of the possible advantages of operating schools for profit are greater efficiency, increased competition, responsiveness to clientele, and encouragement of innovation. At best, the diverse provider model only produced moderate success in each of these areas. Therefore, continued monitoring and additional research must be done in
districts that adopt these measures. The use of privatization as a method to increase student achievement has produced mixed results for schools and districts. The logical conclusion is that additional research dedicated to the effectiveness of this as an intervention should continue. Charter schools have also produced mixed results and deserve more study. Additional longitudinal studies that measure academic achievement levels and measure the attendance and graduation rates of students who attended EMO operated schools versus district operated schools should be conducted. This would give policy makers and stakeholders more information to decide and determine which interventions to continue or dismantle. Ultimately parents would be in a better position to determine where they would like their children to attend school.

In 2004, a study was conducted that analyzed the NAEP data for 23,000 fourth grade students and 1,340 eighth grade students in public and private schools. These studies controlled for student socioeconomic status (SES). A recent study pointed out that current reform efforts are based on the assumption that private schools are superior to public schools. Public school success in large part is measured against scores from private schools (Lubienski & Lubienski, 2004). When achievement levels fall below established levels, districts and schools face sanctions such as school choice, charter status, privatization, or takeover. However, when comprehensive demographic measures of student background are considered, the results are much different. Student performance in Catholic and other private schools actually falls below levels in public schools when SES, race, and disability status differences are taken into account (Lubienski & Lubienski, 2004). School choice reforms, charters and takeovers assume that organizational effectiveness can have a substantial impact on student achievement.
and that impact on student achievement is informed by the governance structures, internal organization, and institutional environments of different types (Lubienski & Lubienski, 2004). Additional research that controls for SES would provide more insight into the effectiveness of the EMOs, thereby improving the decision-making capabilities of policy makers and the entire school community.

Teacher quality remains an issue nationwide. However, as a result of the state takeover, Philadelphia has managed to make some progress. The takeover was enacted in 2001, and in 2002 teacher applications rose by 44% between 2002 and 2004, due to upgraded marketing efforts, additional financial incentives and a streamlined application process. The percentage of new teachers who completed their first year of teaching also rose from 73% in 2002-03, to 91% in 2003-04, and 93% in 2004-05 (Useem, 2005). The State also removed the teachers union’s ability to strike and implemented a school based hiring program, whereby schools could elect to hire 100% of their new staff. Schools that decided not to participate in the 100% process were required to hire 50% of their teachers through the normal selection process and 50% through the school based interview process. The gains can be attributed to three measures; the hiring of Paul Vallas as CEO and his recognition that poor teacher retention and hiring results needed to become a district priority (Useem, 2005). The introduction of certification requirements under NCLB was also a significant factor in urging Vallas to build a human resources team to address teacher hiring. The team established six alternative certification programs that resulted in increased hiring.

Despite all of these gains, challenges still exist. The neediest schools still have the least experienced and the least credentialed teachers. Teacher turnover in schools
managed by external organizations continues to be problematic. This is attributed to weak incentive programs, shortages of special education teachers, and the NCLB requirements for seventh and eighth grade teachers (Useem, 2005). Additional research must be done to examine teacher expertise in low-performing schools and to fully examine why teachers leave and what can be done to encourage them to remain in these very difficult schools.

Community indifference to intervention and reform efforts is well documented. School culture refers to the understandings, behaviors, and attitudes that are held by school participants and that are accepted as the norms for how schools should function (Finnan & Swanson, 2000). Future studies should be conducted to examine the attitudes and culture at EMO operated schools to determine which factors may contribute to its success or failure.

Leadership selection processes and leadership skill requirements must be studied to identify which leadership strengths will be most useful to the successful operation of the school/district. Tractenberg (2002) and his team determined that effective management and the need to develop management capacity plays a major role in the state takeovers. These factors are also applicable in school takeovers by EMOs. He stated that “leadership is the most important managerial function” state and local officials must build leadership capacity from the principal down to the staff (p.161). “Leadership is also the ability to allocate funds to their highest and best uses”- if EMOs do not show the results why continue these contracts (p.161)?

Finally, fiscal leadership is the ability to control funds and provide incentives to people so that goals are attained in the most efficient, effective, and least consuming way.
“Thus capacity-building involves a financial and managerial accounting system in which plans guide funds and people’s efforts, and in which deviations from plans guide funds and people’s efforts, and in which deviations from plans emerge immediately and prompt remedial action” (Tractenberg, 2002, p.161).

Leadership capacity is a concern and an issue in any school. It is evident from interviews with Philadelphia building administrators that they feel frustrated by the need to negotiate with EMO operators and district officials. Research that measures the need and ability to recruit individuals who can master these issues is a must if this type of organizational structure is to continue. District leaders must study which individuals are best suited for these positions and make every effort to recruit them to operate these low performing schools.

Final Notes

There is a very strong likelihood that at some point the state will contemplate returning the School District of Philadelphia to local control. Perhaps the best road map for this journey has been outlined in Developing A Plan for Reestablishing Local Control In The State-Operated School Districts (Tractenberg, 2002). The following recommendations are just some from the list that should be considered in Philadelphia Pennsylvania:

1. Redefine the state’s role to emphasize support of and technical assistance to districts delivered in a collaborative manner
2. Create a unified system of state oversight of urban districts, combining the monitoring and assessment process with a process for assuring implementation of reforms.
3. Establish a clear, specific system of standards and benchmarks by which districts will be assessed, ensure that competent, objective periodic assessments are carried out to measure progress and that the results are promptly reported to districts.

(Tractenberg, 2002)

To implement these processes the report recommends the following:

1. Implement a preventive program
2. Modify statutes to treat local capacity as a deciding factor
3. Build local capacity
4. Build capacity at the school and classroom level
5. Strengthen the entire educational delivery system
6. Provide technical assistance
7. Create an independent state agency
8. Assess progress against benchmarks, and develop timely, responsive reports
9. Modify statutes to allow return when circumstances indicate capacity for local control
10. Provide for school ethics
11. Continue oversight after return to local control
12. Use state operation to develop urban education models (Tractenberg, 2002)

In conclusion, the state and the city must do a better job of communicating a clear idea of the advantages and disadvantages that may result from the reforms that are ultimately implemented as a result of the state takeover.

Education management organizations have a well documented legacy of chaos in this country. This, in itself, means that they must overcome a level of cynicism that other
schools do not have to contend with. In answer to the question, why the District operated school out performed the EMO schools in mathematics and science, I believe that it is abundantly clear that several very important factors have caused EMOs to perform at a lower level.

First, and foremost, the teaching staffs in these schools, although more stable than in the past, are still inexperienced and lack the content knowledge and ability to differentiate instruction for the diverse, high poverty student population found in these schools. Second, leadership changes in EMO schools, regardless of the experience levels of the administrators, require staff, students, and the community to adjust to the operating protocols of the EMO, the District, and school administrators. District operated schools knew what to expect, for the most part, and would be more comfortable implementing new ideas and reform measures that were mandated by the District. I firmly believe that teaching expertise and leadership stability played an extremely important role in the improved achievement levels in mathematics and science at the district operated schools.

In order for the EMO reform initiative to be effective, teacher recruitment and preparation must be improved dramatically. School leaders must be selected who have the ability implement change when there is significant resistance. Until each of these factors can be adequately addressed, schools that are operated by private organizations face a difficult and sometimes impossible task as effective school operators.
References


Bulkey, K. (2003) Educational management organizations and the development of professional community in charter schools


http://www.hobel.org/lwved/id39.htm


http://www.epi.org/content.cfm/books_riskybizintro


Rudo, Z.H. (2001). *Corrective action in low performing schools and school districts.* Austin, TX: Southwest Educational Development Laboratory.


http://www.state.nj.us/education/abbotts/sosd/archive/local.pdf


Appendix A

Current EMO Contracts

<table>
<thead>
<tr>
<th>EMO</th>
<th>Elementary</th>
<th>Middle</th>
<th>High School</th>
<th>Total</th>
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<tbody>
<tr>
<td>Edison</td>
<td>11*</td>
<td>6</td>
<td></td>
<td>17</td>
</tr>
<tr>
<td>Foundations</td>
<td>3</td>
<td></td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Penn</td>
<td>2</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Temple</td>
<td>4</td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Universal</td>
<td>1</td>
<td>1</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Victory</td>
<td>3</td>
<td>1</td>
<td><strong>2</strong></td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>8</td>
<td>3</td>
<td>35</td>
</tr>
</tbody>
</table>

* Includes K-8, K-6, K-4.

** Includes 6-10, 7-12.

Table 5-1 indicates that High School have been virtually ignored in reform efforts which is something to consider when extra funds are designated for EMO operated schools as was done in the initial installation of the “Diverse Provider Model”. These additional funds could have been used to support the disappointing achievement levels in Philadelphia high schools.
## Appendix B

### Provider Characteristics

<table>
<thead>
<tr>
<th></th>
<th><strong>Foundations Inc.</strong>&lt;br&gt;&quot;Success is the only option&quot;</th>
<th><strong>Victory Schools Inc.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Provider</strong></td>
<td>Nonprofit Manager Contract Through June 30&lt;sup&gt;th&lt;/sup&gt; 2007</td>
<td>For-profit manager Contract through June 30&lt;sup&gt;th&lt;/sup&gt; 2007</td>
</tr>
<tr>
<td><strong>Extra funding allotted</strong></td>
<td>$667 per pupil to Foundations</td>
<td>$857 per pupil to Victory and an additional $157 expended directly by the district</td>
</tr>
<tr>
<td><strong>Staffing Changes</strong></td>
<td>Principals redeployed existing staff to reduce class size&lt;br&gt;Curricular coaches in all subject areas and special education who rotate among Foundations Schools</td>
<td>School based coaches&lt;br&gt;Specialized subject matter coaches for Victory Schools Group&lt;br&gt;Deans for gender separated middle school&lt;br&gt;Eliminated Literacy intern to hire more teachers&lt;br&gt;Librarian became technology Coordinators</td>
</tr>
<tr>
<td><strong>Class Size reduction</strong></td>
<td>K-1 classes have approximately 17:1 student teacher ratio&lt;br&gt;Some class size reduction in upper grades by school</td>
<td>Class size reduction to 18:1 in grades K-2</td>
</tr>
<tr>
<td><strong>Core Curricula in literacy and math</strong></td>
<td>Early balanced literacy&lt;br&gt;Middle grades literacy Sipps&lt;br&gt;Everyday Math&lt;br&gt;Math IN Context</td>
<td>Direct instruction, Balanced Literacy&lt;br&gt;Used existing curricula for math in 2002-2003</td>
</tr>
<tr>
<td><strong>Behavior management</strong></td>
<td>Foundations academic model of excellence (FAME) code of conduct caring community based on</td>
<td>Using School District Code of Conduct</td>
</tr>
<tr>
<td>Assessments in addition to PSSA and Terra Nova</td>
<td>DIBLES</td>
<td>NCS Learn – Computer based assessments for low performing students</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Special features/initiatives</td>
<td>Advocate Program for 10-15% of low performing students in a school (8 students with one teacher) Development of an ISP (Individual Student Program) Advisory councils representing all stakeholders met monthly Professional development for teachers 2 hrs. on the second and fourth Wed. of each month during the last two hours of the school day plus one extra hour paid on the second Wed. Summer Institute (week long) professional development for teachers</td>
<td>Separate gender academies at Fitzsimons Facilities improvements Forty hours of required professional development for teachers during the school year and summer (paid) Optional workshops for teachers on direct instruction, Step Up To Writing and Core Knowledge (Sessions after school and Sat. Paid) After school programs</td>
</tr>
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</table>
Appendix C

PSSA Results by Grade

Students performing Proficient or Advanced in Reading

<table>
<thead>
<tr>
<th>Grade</th>
<th>2002</th>
<th>2006</th>
<th>2007</th>
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<tbody>
<tr>
<td>3</td>
<td>42.0</td>
<td>46.4</td>
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<tr>
<td>4</td>
<td>36.1</td>
<td>42.8</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>20.8</td>
<td>31.6</td>
<td>32.0</td>
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<td>6</td>
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<td>24.1</td>
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</tr>
<tr>
<td>11</td>
<td>28.7</td>
<td>33.1</td>
<td>34.9</td>
</tr>
</tbody>
</table>
Appendix D

PSSA Results by Grade

Students performing Proficient or Advanced in Math

<table>
<thead>
<tr>
<th>Grade</th>
<th>2002</th>
<th>2006</th>
<th>2007</th>
</tr>
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<tbody>
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<td>3</td>
<td></td>
<td>59.0</td>
<td>52.2</td>
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<td></td>
<td>51.3</td>
<td>52.9</td>
</tr>
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<td>5</td>
<td>18.7</td>
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<td>39.4</td>
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<td>8</td>
<td>17.9</td>
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<td>43.9</td>
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<tr>
<td>11</td>
<td>23.6</td>
<td>26.9</td>
<td>30.9</td>
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</table>
RESEARCH REVIEW COMMITTEE  
2120 Winter Street  
Philadelphia, PA 19103-1099  
Tel.: (215)299-7770  
FAX: (215) 299-3468  

July 29, 2005  

Ralph Burnley  
26 Bluestone Circle  
Sicklerville, New Jersey 08081  

Dear Mr. Burnley:  

After reviewing your proposal concerning your desire to conduct a study of schools that are operated by Education Management Organizations, we are pleased to inform you that the Committee has granted you approval to begin your research project. Enclosed you will find a Permission to Conduct Research letter that will demonstrate that you have the Research Review Committee’s approval to conduct the research.  

Please be advised that your research is subject to certain general conditions:  

i. No action may be taken in any school without the approval of the principal.  

ii. Parental approval will be required in studies which are deemed sensitive or, in the judgment of the District, potentially objectionable to parents.  

iii. No individual or school may be identified in published or reported findings without the approval of the District and the participants involved. Strict confidentiality must be maintained to protect all participants involved.  

iv. An electronic copy of all data analyzed for this study must be furnished to the Office of Research and Evaluation at the conclusion of the study.  

v. The principle investigator must notify the District, in writing, about the intent to submit reports or articles for publication or conference presentation.  

vi. Any reports or articles written based on this research must include the following acknowledgment: This research was made possible, in part, by the support of the School District of Philadelphia. Opinions contained in this report reflect those of the author and do not necessarily reflect those of the School District of Philadelphia.  

vii. One copy of the final report must be furnished for the files of the Office of Research and Evaluation.  

viii. All state and federal laws must be observed, as well as District regulations.  

In the event you determine that this research project needs to extend beyond original approval period, a request for renewal should be submitted at least two (2) months prior to the expiration date. This will ensure there is no lapse in approval.
Finally, please be advised that the Chair of the Research Review Committee and the Director of Research and Evaluation or his designee reserve the right to rescind approval if it is determined that the research no longer complies with the District’s mission. Should this occur, you will be notified, in writing, of the Committee’s decision to rescind approval.

If you have any further questions, please do not hesitate to contact the Chair of the Committee. She may be reached at jmolock@phila.k12.pa.us. We wish you the best for a successful study.

Regards,

Jeanine W. Molock, Ph.D.
Chair, Research Review Committee

Thomas J. Clark, Ed.D.
Director, Research and Evaluation

Catherine Balsley, Ed.D.
Acting Chief Accountability Officer

Enclosure
IRB Non Review Certification

STUDENT: Ralph A. Burnley, Jr.

Title of Dissertation:
The Impact of Education Management Organizations on Academic Achievement in Two Middle Schools in the School District of Philadelphia, Pennsylvania

I certify, by my signature below, that the above indicated study does not require IRB review as a result of a lack of involvement with human subjects (see OHRP flow chart) and as indicated by any or all of the following (check all that apply).

1. Historical research
2. Public database
3. *Proprietary database
4. Freedom of Information
5. Right to know – sunshine law

Student signature: Ralph Burnley, Jr.
Advisor approval: 

Reviewed by: Marty Finklestein – Higher Ed
Daniel Gutmore – K-12

- Proprietary data that does not identify individuals