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THE RECENT HISTORY OF PRIVATIZATION OF EDUCATION IN PENNSYLVANIA

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Abstract

This thesis details the history of the privatization movement in education in Pennsylvania. The thesis will begin with an introduction to the concept of privatization in education. It will then analyze the major pieces of legislation that resulted in the expansion of privatization in Pennsylvania from 1997 until the present day. Since the topic is embedded in the politics of the state, this essay will present both sides of the issue by sorting through partisan information to reveal the beliefs of those in favor of privatization and those opposed. This thesis breaks down the movement itself into three major categories of school privatization: charter schools, the state takeover of districts, and tax credit programs. The foundation of the information in this thesis is based on research from books, newspaper articles, academic journals, websites, and other research studies. By the end of this thesis, the reader should have a better understanding of the causes of the movement, the reasons further privatization action has been stalled, and the overall impact privatization has on the education system in the state of Pennsylvania. The thesis provides an opportunity for the reader to reflect on the ever-changing landscape of education in the state of Pennsylvania.

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Chapter 1

Introduction to the Privatization of Education

For a little over a decade, the flaws that exist within the United States education system have been widely documented (Byrnes, 2009). As a result of issues including, but not limited to the growing dropout rate, the widening achievement gap between minority students and their more advantage counterparts, and disparity between the scores on standardized tests of U.S. students compared to those of other countries, there is greater pressure to fix the system (Byrnes, 2009). The pressure increased with the passing of No Child Left Behind (NCLB) in 2001 as many school districts came under scrutiny for poor test results and overall student performance. Certain politicians and advocates of privatization have used the failing test scores to question the state of the education system and demand drastic changes (Boyd, 2007). At the turn of the century, a major movement centered around privatization of education, that actually had already began to grow in the 1990s, gained further support across the country as well as in the state of Pennsylvania (Boyd, 2007).

In order to discuss the history of privatization in Pennsylvania, I think it is important to first define privatization in regards to education. The privatization of education involves turning control of education over from the public to the private sector. In other words, privatization is centered on the shift of education from the domain of government to that of the corporate free market. The concept of privatization stems from the economic theories of Adam Smith. In his treatise, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Smith outlined the foundations of modern-day neoliberal economics. Neoliberal theory assumes that individuals are motivated by what is good for them, and what is good for the individual is in turn good for everyone. Competitive behavior is seen in this theory as more rational than cooperative behavior.

Participants in social systems, including education, are seen as rational actors seeking to maximized advantage and return on effort. Finally, only the unregulated, free market will allow for the allocation of limited resources in a rational manner. By applying many of the beliefs of Adam Smith, proponents of the privatization movement feel our education system would function more efficiently when taken out of the public sphere and out of the hands of the government. Private contractors and entrepreneurs can provide a better quality service to students through competition and allocate resources more effectively than the government (Weil, 2002).

Privatization is a term that can be applied to a variety of reforms. In this thesis, I will use the term ‘privatization’ to refer to the broad range of different options that shift education away from traditional district-based mass schooling to various decentralized or choice-based alternatives. In the most overreaching form of privatization, local officials will contract with private sector businesses to manage schools or school systems (Maranto, 2005). In these cases, outside companies that operate for-profit, often known as Educational Management Organizations (EMOs), will be given either complete or partial control over a school or school district and will contribute to all major decisions related to management and day-to-day operations (Gill, 2005). When companies are granted complete control, the company will select the personnel and make all decisions related to the educational process (Gill, 2005). When companies are granted partial control, the company may have to work alongside local school officials to make everyday decisions.

School choice, which falls under the umbrella of privatization discussed in this thesis, focuses on giving parents a chance to choose the school their children will attend. Schools of choice do not necessarily have to involve private companies or institutions. Often, school choice

will involve the state providing vouchers for students and families to use towards tuition at a nonpublic school (Maranto, 2005). In most cases, voucher systems are instituted to give students from low-income families in low-performing school districts the opportunity to escape from what they believe to be local failing public schools (Weil, 2002).

Charter schools, which are considered schools of choice, are a semi-privatized form of schooling. A charter school is a school of choice that receives a “charter,” or contract, from a public entity (Bulkley and Fisler, 2003). Local school districts will pay for the cost of students to attend charter schools (Education Law Center, 2008). The organizations or individuals control the operations of the school without having to meet some of the same legal requirements as public schools, such as only hiring certified teachers (Education Law Center, 2008). However, charter schools still must follow all state and federal laws related to civil rights and students with disabilities while answering to the local school board for renewal of the charter (Education Law Center, 2008).

In addition to presenting examples of the varying forms of privatization, I will provide a brief overview of the political aspects of privatization. Generally, conservatives or Republicans, who favor free markets and competition, are advocates of privatization. On the other hand, liberals or Democrats, who favor more government involvement and public education, are opponents of privatization. Over the last twenty years, conservatives have nationally attacked “big government” and used partisan research to win support for further privatization of education. Meanwhile, liberals as well as teachers and their unions have fought to provide further support for public education and produced their own partisan research to limit the expansion of privatization (Boyd, 2007).

Members on both sides of the privatization debate claim to be advocating for a more democratic education system that will benefit all students. The two sides use democratic rhetoric to justify decisions and reforms related to education. The two sides differ, however, in their approach to creating a more equitable education system. At the center of the debate is the use of standardized test results to drive reform in public education. On one side, state legislators claim to use standardized tests to “expand the moral community” and close the gap between low-income, minority students and their affluent, white counterparts. Opponents, however, see the tests results as a tool to blame the victim for problems outside of the control of the school and (McDermott, 2007).

Advocates of privatization tend to support standards-based reforms that rely on state testing to hold poor performing school districts accountable for not providing a proper education for the students. Advocates claim the use of privatization, whether it is to expand school choice or allow the state to takeover districts, would solve the problems of low-performing districts. The involvement of state officials would remove inefficient, and sometimes corrupt, local leaders who are denying the children and their families a voice in their education. On the other hand, opponents of privatization would argue that reliance on standardized tests tend to lessen the value of the education offered to students. The pressure from testing forces teachers to teach to the test and ends up excluding poor and minority students rather than solving the problems that plague the community. Furthermore, the privatization movement removes the power to improve schools from the local communities and blames the victims for their problems. While policy makers on both sides seem to believe that their reforms will provide a more equitable education system, the results of standards-based reforms have been mixed. In the end, school districts often do not meet the expectations of policy makers because the expectations are too high. As a result,

the schools are then blamed for failing once again and the debate over public education reform continues in states across the country (McDermott, 2007).

In Pennsylvania, the privatization of education, which includes schools of choice, has provided alternative opportunities for students, but public schools are still the most common form of schooling. Over the years, advocates of privatization who tend primarily to be members of the Republican party, have succeeded in expanding school choice programs, but advocates for public education, who tend primarily to be members of the Democratic party as well as teachers' unions, have prevented a complete privatization of education in the state of Pennsylvania. Currently, the education system in the state of Pennsylvania is comprised of a combination of public school and private school options.

Chapter 2

Charter Schools

The first type of privately run (or semi-privately operated) school that will be discussed in this thesis is a charter school. As noted earlier, a charter school is a school of choice that receives a “charter,” or contract, from a public entity (Bulkley and Fisler, 2003). The charter can come from a school board, a public university, or a state board of education (Bulkley and Fisler, 2003). Charter schools were established under the leadership of Republican Governor Tom Ridge, who was an advocate for privatizing education (Pennsylvania Historical & Museum Commission, 2013). Charter schools would become the first form of privately run schools to be approved by the General Assembly in Pennsylvania.

Charter schools were created as a result of two pieces of legislation: Act 22 of 1997 and Act 88 of 2002 (Roebuck, 2013a). Act 22, which is an amendment of the School Code of 1949, allowed for the establishment of charter schools in Pennsylvania (Pennsylvania Department of Education [PDE], 2013b). The act is commonly referred to as the Charter School Law (PDE, 2013b). According to Act 22 of 1997, a charter school is “an independent public school established and operated under a charter from the local board of school directors” (PDE, 2013b).

Charter schools fall into two major categories: “brick and mortar” charter schools and cyber charter schools (Pennsylvania Department of Education [PDE], 2013a). “Brick and mortar” charter schools are located within the school district boundaries and classes are conducted within the walls of the school building(s) (PDE, 2013a). Cyber charter schools provide instruction online or through other electronic means (PDE, 2013a). Therefore, there is no physical building, but rather an online curriculum that students can complete from anywhere

there is access to the Internet (PDE, 2013a). Charter schools are created and controlled by various people or groups including parents, teachers, community leaders, and colleges or universities (PDE, 2013c). An existing public school building can be converted into a charter school only if half of the school staff and parents allow the conversion (Roebuck, 2013a). Charter schools must provide at least 180 days of instruction and still adhere to state testing requirements (Education Law Center, 2008). All school-aged students get free admission to charter schools, but it depends on space and district preference (Davare, 2009).

In Pennsylvania, any child living in the state can apply for admission to a charter school. Students who live in the district where the charter is located are given first preference with students from outside the district being allowed if there is enough space. Should there be more student applicants than available spaces, students will be selected randomly through a lottery. Charter schools cannot deny admission based on anything that would be illegal for the school district to discriminate against including academic ability, test scores, limited English proficiency, or a disability. However, charter schools may label a student as “at risk” based on academic issues, disciplinary issues, or limited English skills and restrict admission (Education Law Center, 2008).

A charter school can receive an original charter to operate for three to five years and be renewed for five-year periods given reauthorization by the local school board (Roebuck, 2013a). The local school board monitors the charter school to make sure it is meeting its goals and the Pennsylvania Department of Education monitors the charter school to make sure it follows state and federal laws regarding disabilities and civil rights (Education Law Center, 2008). While in operation, the charter school must follow the agreement entered with the school board (Education Law Center, 2008). The local school board has the ability to revoke the charter or

refuse to renew it (Education Law Center, 2008). Finally, the school is required to send an annual report to the school board by August 1st of each year (Education Law Center, 2008). Cyber charter schools must meet many of the same requirements as charter schools, but receive their charter from the Department of Education (Davare, 2010).

Over the years, more charter schools have opened in the state and more districts have been sending students to attend charter schools. Between the first year charter schools were allowed to open and 2012, the number of charter schools has grown to 156 in total (Niederberger, January 2013). The number of students in Pennsylvania charter schools increased every year between 2001-02 and 2007-08 (Davare, 2009). In that specified time, total charter school enrollment in the commonwealth has grown from 18,695 students to 67,121 (Davare, 2009). Every district had a student that was enrolled in a charter school when PSBA released a report on charter school costs in 2010 (Davare, 2010). Just a year later, the Annual Privatization Report of 2011 reported that there were over 2 million students enrolled in charter schools nationally (Snell, 2012).

The majority of the charter schools in Pennsylvania are located in Philadelphia. As seen in Table 1 below, Philadelphia was ranked third in the nation with the highest number of public charter school students at 40,322 during the 2010-2011 school year (National Alliance for Public Charter Schools [NAPCS], 2011). As evidenced in Table 2, Philadelphia dropped to fourth in the nation for the 2011-2012 school year, but increased charter school enrollment to 46,801 students (National Alliance for Public Charter Schools [NAPCS], 2012). The Philadelphia School District was tied for 10th in growth of charter school students at 19% between the 2009-10 school year and the 2010-11 school year, which is an increase of 6,406 students. The growth compared to other major cities can be seen in Table 3 (NAPCS, 2011).

Table 1
 “Top Ten” Districts Serving the Highest Number of Public Charter School Students
 2010-2011

Rank	School District	State	Charter Enroll	Non-Charter Enroll	Total District Enroll	Charter Market Share	Rank and Charter Enrollment in 2010
1.	Los Angeles Unified School District	CA	79,385	588,824	668,209	12%	#1 and 66,809 ⁱⁱ
2.	Detroit Public Schools	MI	45,073	75,264	120,337	37%	#2 and 45,036 ⁱ
3.	The School District of Philadelphia	PA	40,322	166,272	206,594	20%	#4 and 33,916
4.	New York City Department of Education	NY	38,743	973,210	1,011,953	4%	#7 and 30,049
5.	Chicago Public Schools	IL	37,909	365,069	402,978	9%	#5 and 33,711
6.	Houston Independent School District	TX	37,499	188,553	226,052	17%	#3 and 34,567
7.	Miami-Dade County Public Schools	FL	35,380	312,026	347,406	10%	#6 and 30,859
8.	District of Columbia Public Schools	DC	29,366	45,630	74,996	39%	#8 and 27,660
9.	New Orleans Public School System	LA	27,728	12,149	39,877	70%	#9 and 22,481
10.	Broward County Public Schools	FL	24,150	232,981	257,131	9%	#10 and 21,603

Table 2
 Districts Serving the Highest Number of Public Charter School Students
 2011-2012

Rank	School District	State	Charter Enroll	Non-Charter Enroll	Total District Enroll	Charter Market Share	Rank and Charter Enrollment in 2011
1.	Los Angeles Unified School District	CA	98,576	562,725	661,301	15%	#1 and 79,385
2.	New York City Department of Education	NY	48,057	970,760	1,018,817	5%	#4 and 38,743
3.	Detroit Public Schools	MI	47,086	66,626	113,712	41%	#2 and 45,073
4.	The School District of Philadelphia	PA	46,801	154,262	201,063	23%	#3 and 40,322
5.	Chicago Public Schools	IL	44,870	358,515	403,385	11%	#5 and 37,909
6.	Miami-Dade County Public Schools	FL	41,767	308,460	350,227	12%	#7 and 35,380
7.	Houston Independent School District	TX	40,549	188,025	228,574	18%	#6 and 37,499
8.	New Orleans Public School System	LA	32,597	10,098	42,695	76%	#9 and 27,728
9.	District of Columbia Public Schools	DC	31,562	45,191	76,753	41%	#8 and 29,366
10.	Broward County Public Schools	FL	30,438	228,695	259,133	12%	#10 and 24,150

Table 3
 “Top 10” Districts with the Highest Growth of Public Charter School Students
 2011-2012

Rank	School District	State	Charter Market Share	2009-2010 Charter Enroll	2010-2011 Charter Enroll	Increase in Charter Enroll	% Growth in Charter Enroll
1.	Orange County Public Schools	FL	3%	4,207	5,994	1,787	42%
2.	Memphis City Schools	TN	5%	3,822	5,405	1,583	41%
3.	New York City Department of Education	NY	4%	30,049	38,743	8,694	29%
4.	Mesa Public Schools	AZ	16%	9,877	12,574	2,697	27%
5.	Baltimore City Public Schools	MD	13%	8,472	10,704	2,232	26%
6.	New Orleans Public Schools	LA	70%	22,481	27,728	5,247	23%
7.	Alpine School District	UT	9%	5,495	6,711	1,216	22%
8.	San Antonio Independent School District	TX	21%	10,529	12,730	2,201	21%
9.	Indianapolis Public Schools	IN	22%	7,675	9,238	1,563	20%
10.	Los Angeles Unified School District	CA	12%	66,809	79,385	12,567	19%
	The School District of Philadelphia	PA	20%	33,916	40,322	6,406	19%

When you compare cities by simply the number of students in charter schools, Los Angeles is far above the competition with over 98,000 students who attended during the 2011-12 school year, which can be seen in Table 4 below. The next two biggest populations of charter school students above Philadelphia for that year were New York City with just over 48,000 students followed by Detroit with over 47,000 students. Other major cities, such as Chicago, Miami, and Houston had over 40,000 students who attended charter schools. Despite these large numbers, only three districts listed in the top ten have a market share of charter school students greater than 20%. Therefore, it is clear that charter schools are common and popular in major cities in the United States, but they are not the dominant choice in all of them, including Philadelphia (NAPCS, 2012).

During the 2011-2012 school year, Philadelphia was reported to have dropped out of the top ten in growth (NAPCS, 2012). However, as Table 5 illustrates, the school district was tied for ninth in the country among school districts with the highest percentage of charter school students at 23% or 46,801 students out of the 201,063 in the district (NAPCS, 2012). Even though it is clear that Philadelphia has a large population of students choosing to attend charter schools, there are certainly other states in which charter schools are more popular (Snell, 2012). For the past three years, New Orleans has had the highest percentage of charter school students in their district (NAPCS, 2011 & 2012). During the 2011-12 school year, New Orleans had 76% of its students enrolled in charter schools. Consequently, unlike Philadelphia and the rest of Pennsylvania, charter school education dominates the education system in New Orleans. The next two cities do not even come close with charter school students in Washington, D.C. and Detroit making up 41% of the market share in each district (NAPCS, 2012). Other major cities

greatly impacted by charter schools include Kansas City (Missouri), St. Louis, Cleveland, Albany, Dayton, San Antonio, Indianapolis, Toledo, and Youngstown (NAPCS, 2012).

Table 5
Districts Serving the Highest Percentage of Public Charter School Students
2011-2012

Rank	School District	State	Charter Market Share	Charter Enroll	Non-Charter Enroll	Total District Enroll	Rank and Market Share in 2011
1.	New Orleans Public School System	LA	76%	32,597	10,098	42,695	#1 and 70%
2.	Detroit Public Schools	MI	41%	47,086	66,626	113,712	#3 and 37%
	District of Columbia Public Schools	DC	41%	31,562	45,191	76,753	#2 and 39%
3.	Kansas City, Missouri School District	MO	37%	9,954	16,610	26,564	#4 and 35%
4.	Flint City School District	MI	33%	4,706	9,606	14,312	#5 and 32%
5.	Gary Community School Corporation	IN	31%	4,549	10,221	14,770	#6 and 30%
	St. Louis Public Schools	MO	31%	11,155	24,665	35,820	#7 and 29%
6.	Cleveland Metropolitan School District	OH	28%	15,886	41,528	57,413	#10 and 23%
7.	Albany City School District	NY	26%	2,838	7,972	10,810	#10 and 23%
	Dayton Public Schools	OH	26%	5,900	16,422	22,321	#8 and 27%
	San Antonio Independent School District	TX	26%	15,114	44,129	59,243	Not in Top 10 and 21%
8.	Indianapolis Public Schools	IN	25%	10,690	31,998	42,688	Not in Top 10 and 22%
	Roosevelt School District 66	AZ	25%	3,590	10,558	14,148	Not in Top 10 and 19%
	Toledo Public Schools	OH	25%	8,209	24,799	33,008	#10 and 23%
	Youngstown City Schools	OH	25%	2,528	7,655	10,183	#9 and 24%
9.	Adams County School District 50	CO	23%	2,971	9,709	12,680	Not in Top 10 and 22%
	Grand Rapids Public Schools	MI	23%	4,967	17,091	22,058	Not in Top 10 and 20%
	The School District of Philadelphia	PA	23%	46,801	154,262	201,063	Not in Top 10 and 20%
10.	Milwaukee Public Schools	WI	22%	18,565	67,429	85,994	Not in Top 10 and 19%
	Phoenix Union High School District	AZ	22%	7,472	25,906	33,378	Not in Top 10 and 19%

By 2013, it was estimated that over 55,000 students are enrolled in charter schools in Philadelphia (Woodall, 2013a). Out of the school districts in the state, cyber charters have had the biggest impact on the Philadelphia School District (Herold, 2013). As of October of 2012, over 5,000 students were enrolled in cyber charter schools and that number was expected to increase to over 6,000 by the end of the year (Herold, 2013).

One reason for the increase in the enrollment of cyber charter schools could be the amount of money spent on advertising for cyber charters. Unlike public schools, which either can't afford or aren't even allowed to spend money on advertising, charter schools can advertise based on the need mandated in the existing charter school law. Since there is no guaranteed student body, advertising allows parents to be informed of the option of charter and cyber charter schools. One example of such advertising in Pennsylvania is the billboards along the

Pennsylvania Turnpike between Harrisburg and Pittsburgh that advertise for the PA Cyber Charter School. According to online figures by Lamar advertising, the cost of a billboard for a four-week period would be \$985. The communications coordinator for PA Cyber Charter School, Fred Miller, states that advertising only accounts for one percent of the annual budget. Since charter schools receive their tuition payments from local school boards, board officials such as Joe Zupancic of a nearby public school in Canon-McMillian, which is outside of Pittsburgh, are upset with any use of taxpayer dollars for advertising. Many schools advertise on the radio and even television as well. Recent legislation related to charter funding has targeted change in the use of taxpayer dollars going to advertising (Dudiak, 2012).

In 2010-11, Pennsylvania was ranked seventh among states with the largest number of charter schools and cyber charter schools run by Education Management Organizations (EMOs) (Wagner, 2012). Overall, 42% of cyber charter schools and 30% of brick-and-mortar charters paid management companies in 2010-11 (Wagner, 2012). The highest density of management companies is located in Philadelphia and Pittsburgh (Wagner, 2012).

In Pennsylvania, there are substantially more “brick and mortar” charter schools than cyber charter schools, but more students are enrolled in cyber charters. The “brick and mortar” schools tend to be more concentrated in urban areas such as Philadelphia and Pittsburgh. Over the years, students that decide to enroll in charter schools have continued to select cyber schools more often. In the 2007-08 school year, cyber charters had the most students enrolled with 76% of all charter school students enrolled in cyber charters compared to 24% attending “brick and mortar” charters. Earlier in the decade, during the 2003-04 school year, just over 17% of students attended cyber charters compared to more than 82% who attended “brick and mortar” charters (Davare 2010).

One of the most controversial issues surrounding charter schools, particularly in the state of Pennsylvania, is funding. In Pennsylvania, charter schools and cyber charter schools are funded primarily through tuition payments from local school districts (Wagner, 2012). In addition, the state government provides certain direct funding to charter schools through grants and subsidies and also reimburses the districts a portion of the cost to send students to charter schools (Wagner, 2010). Pennsylvania requires local funds to follow a student to the charter or cyber charter school even if it is outside the district (Wagner, 2012). In Pennsylvania, charter school payments account for over 45% of all the total tuition payments made by districts (Davare, 2010). As noted earlier, under the current charter school law, each district pays the charter school based on the per-pupil expenditures of the home district minus deductions for costs such as transportation and construction (Herold, 2013). Therefore, since school districts are funded primarily through local funds, there is a large discrepancy between the amounts each district pays to charter schools (Wagner 2010).

For example, during the 2008-09 school year, Propel Charter School in Allegheny County received students from ten different school districts and each district paid a different rate ranging from \$11,337.43 to \$7,201.27 per non-special education student (Wagner 2010). The difference in tuition rate for special education students is even higher (Wagner 2010). In another example from the same year, Duquesne City School District paid a rate of \$31,653.98 for a special education student while McKeesport Area School District paid only \$16,676.18 (Wagner 2010). In recent years, the gap has continued to widen (Niederberger, 2013b). Tuition rates for regular education students now range from \$6,414 per student in Altoona to \$17,775 in the Lower Merion School District (Herold, 2013). Meanwhile, tuition rates for special education

students range from \$12,153 in St. Mary's Area to \$41,394 in Lower Merion (Niederberger, 2013b).

Since cyber charter schools receive students from even more districts across the state than "brick and mortar" charter schools, the disparity between tuition payments is even greater (Wagner, 2010). During the 2005-06 school year, one cyber charter school received tuition payments ranging from \$5,103 to \$18,522 per non-special education student (Wagner, 2010). During the same year, the same cyber charter school received tuition payments for special education students ranging from \$9,501 to \$45,396 per student (Wagner, 2010).

Districts pay the same amount to "brick and mortar" charter schools as they do to cyber charter schools even though operational costs are often very different (Davare, 2010). The operational cost to run a cyber charter school is often much less than the operational cost to run a "brick and mortar" charter school (Davare, 2010). An analysis of schools in 2007-08 showed that the per-pupil cost to educate students at cyber charters was lower than that of "brick and mortar" charter schools (Wagner, 2010). Two years later, during the 2009-10 school year, the average cost per student at brick-and-mortar schools was \$13,411 and the average cost at cyber charter schools was \$10,145 (Wagner, 2012). Despite the inconsistency in facility and cost structures, cyber and "brick and mortar" charter schools receive the same funding (Wagner, 2012). As result, cyber charter schools have seen enrollment more than double and the payment total coming from districts across the state triple from \$70 million in 2004-05 to over \$250 million in 2009-10 (Wagner, 2012). By the 2010-11 school year, the total cost of cyber charter schools increased to over \$319 million (Commonwealth Foundation).

The increase in student enrollment has forced school districts to make more payments to charter schools across the state. With only a few students leaving from each district, many

districts do not save money on overhead costs or a reduction in staff. For example, when schools only lose a handful of students, the district still pays the same cost for facilities, staff, and certain resources. At the same time, districts have to make payments to charter schools that the students have chosen to attend. As a result, most school districts do not benefit economically from students attending charter schools. As discussed earlier, one of the main reasons districts lose money when students attend charter schools is that only a small amount of students attend charter schools from each district. Therefore, the increase in charter school attendance overall is spread across the districts and, as a result, only has a limited impact on attendance in individual districts (Davare, 2010).

In order to demonstrate the inability for districts to save money, PSBA analyzed the liability for districts that lose less than thirty students to charter schools. The reason the study used thirty students as a cutoff is that PSBA felt that a single grade would need to lose thirty students in order to be able to make cuts to the staff. The report concluded that schools simply could not save money when less than thirty students enrolled in charter schools. According to Table 6, school districts pay a combined total of over \$621 million to charter schools. Between the 2003-04 school year and the 2007-08 school year, tuition payments to charter schools increased from \$284.5 million to \$621.3 million. Meanwhile, the subsidies to the school district increased from \$50.6 million to \$166.9. As a result, the net cost for districts to send students to charter schools increased from \$234 million to over \$454.3 million (Davare, 2010).

The funding formula in Pennsylvania is different than that of multiple states with large charter school populations. Most states use a statewide per-student funding rate to send state money directly to charter schools. Other states with large charter school populations include Texas, Arizona, Michigan, and Ohio. On average, Pennsylvania spends the most per student of

the five states (Texas, Arizona, Michigan, Ohio, and Pennsylvania) with the most students attending independently operated charter schools at \$12,657. The average amount spent on a student attending charter schools nationally is \$10,790, which is almost \$2,000 less than the average amount spent per student in Pennsylvania. Furthermore, none of the other state funding models studied in the report had every district paying a different tuition rate. In Pennsylvania, there is not a statewide virtual school or learning program for supplemental courses for students in each district (Wagner, 2012).

The concern connected to the varying tuition payments is the actual cost for charter schools to educate students (Wagner, 2010). Theoretically, the cost to educate each student should be the same, so the tuition rates for each district should be the same. As stated earlier, the per-pupil cost to educate students at cyber charters was lower than that of “brick and mortar” charter schools (Wagner, 2010). As a result, many organizations such as the Pennsylvania School Board Association are looking for ways to properly fund charter schools in order to prevent taking unnecessary funds from public schools (Davare, 2010). Recent legislation to establish charter schools has further been hindered by the mixed academic performance of charter schools across the state. Conflicting reports have surfaced regarding the performance of charter schools. Furthermore, with many factors impacting student performance both public and charter schools show variation in academic performance and test results.

A few notable national reports have been released in the past decade comparing charter schools to public schools. The first report is *Apples to Apples: An Evaluation of Charter Schools Serving General Student Populations* and was conducted in 2003 by the Manhattan Institute, which is a nonpartisan, independent educational organization from New York (Davare, 2009). The criteria for performance included standardized test scores for students from 11 states

between 2001 and 2002 (Forster, Greene, & Winters, 2003). Using the math and reading test results from students across the 11 states, the study found that students in charter schools outperformed students from nearby public schools (Forster, Greene, & Winters, 2003). A second report, titled *National Assessment of Educational Progress*, was released in 2004 and compared math and reading standardized test scores of fourth grade students (Goldstein, 2003). The data was compiled by the United States Department of Education and publicized by the American Federation of Teachers (Davare, 2009). The report found that charter school students were doing slightly worse than public school students in math and there was no significant difference in reading (Goldstein, 2003).

In 2008 and 2009, RAND, an independent, nonprofit research organization based in California, released two reports related to charter school performance. The mission of the RAND Corporation is to improve policy and decision-making on through research and analysis. (RAND, 2013). The organization was created in response to the need for research on military defense and technologies after World War II, but has expanded its research over the past sixty years to address issues in the areas of health, education, law and business (RAND, 2013). The 2008 study specifically focused on charter schools in the Philadelphia School District (Blanc & Christman & Gill & Zimmer). According to the study, charter school performance is statistically indistinguishable from traditional public school performance (Blanc & Christman & Gill & Zimmer). Furthermore, the length of operation of the charter school did not appear to have any significant impact on student performance (Blanc & Christman & Gill & Zimmer). The 2009 study used the information from 2008 to compile a report covering the charter schools in major cities in eight states (Li, 2009). When accounting for charter schools in other states, RAND still

found that middle grade and high school charter schools are producing achievement gains that are about the same as that of traditional public schools (Li, 2009).

The final reports that will be included in this thesis were conducted by Stanford University's Center for Research on Education Outcomes (CREDO). The first report was titled *Multiple Choice: Charter School Performance in 16 States* and was completed in 2009 (Davare, 2009). The analysis was the first national, peer-reviewed attempt to compare the two schooling options. At the time, the study covered over 70% of charter school students in the United States (Raymond, 2009). The study was conducted in 15 states (not including Pennsylvania) and the District of Columbia (Raymond, 2009). The researchers created a public school "virtual twin" for each charter school student to match the demographics and other traits of the student attending a traditional public school (Miners, 2009).

Among its findings, the study concluded that there is a growing demand across the country for more charter schools due to the increase in demand for school choice options (Raymond, 2009). In regard to performance, the study stated that generally charter schools are not performing as well as public schools (Miners, 2009). Specifically, the results on math standardized tests, showed that 37% of the 2,403 charter schools had math gains that were significantly below that of their traditional public school counterparts (Raymond, 2009). The research found that 17% of charter schools showed growth in math scores that exceed their public school counterparts (Di Carlo, 2011). Finally, 46% of charter schools had scores that were statistically indistinguishable from the average growth among public schools (Miners, 2009). In addition, poor-performing subgroups, such as black and Hispanic students, showed achievement results even lower than their counterparts in public schools (Raymond, 2009). However,

students from low-income families and English Language Learners were found to fare better in charter schools (Raymond, 2009).

The one unique finding of the report was that students in charter schools seemed to improve over time with the first year showing a decline in academic performance and the next two years showing significant positive gains (Raymond, 2009). Finally, the CREDO report indicated that the effectiveness of charter schools varied widely by state (Raymond, 2009). Furthermore, states with limits on the number of charter schools permitted to operate showed lower academic growth (Raymond, 2009). The report received a mix response with some groups supporting the unbiased methodology and other groups pointing to problems in the study (Davare, 2009). Both advocates and opponents of charter schools used the statistics to paint a better picture for whichever side they supported (Di Carlo, 2011). For example, the National Alliance for Public Charter Schools agreed with the findings of inconsistency among charter schools across the country (Davare, 2009). In addition, the pro-charter group agreed with the findings that better charter school laws would allow for poor charters to be closed, but the group did call into question the methodology of the study and the negative press coverage (Davare, 2009).

Despite its broad coverage, the 2009 report did not include Pennsylvania (Niederberger, 2013c). It wasn't until April of 2011 that CREDO published an official report that focused on the Keystone state (Niederberger, 2013c). Using the same methodology centered on a virtual twin for charter students, the report compared performances of students from third grade to eight grades on state standardized tests between the 2006-07 school year to the 2009-10 school year (Davis, 2011). The study required four years of data so it was limited to these grades because only 11th grade scores were available for high school students (Woodall, 2011). As a result,

73,085 students from 116 charter schools and eight cyber charters were included (Woodall, 2011).

Among its conclusions, the report found that students in Pennsylvania charter schools learned significantly less on average than their twins in public school in both reading and math (Davis, 2011). The report also found that Pennsylvania has a higher percentage of high-performing charter schools compared to the national average (Woodall, 2011). In reading, 30% of charters performed better than public schools in reading and 25% performed better in math, which both are above the national average at the time of 17% (Davis, 2011). While certain charters were performing well, still nearly half of the states charters did worse than public schools (Woodall, 2011). The performance in cyber charter schools was worse (Woodall, 2011). All of the eight cyber charter schools studied performed worse than their public school counterparts (Davis, 2011).

In 2013, CREDO released an even broader study of charter school performance, which included Pennsylvania (Niederberger, 2013c). In total, the report included 2.3 million charter school students from 25 states as well as New York City and Washington, D.C. (Resmovits, 2013). The study looked at standardized test scores from 2006-07 to 2010-11 (Niederberger, 2013c). The 2013 report found many of the same conclusions as in the previous two reports, except for a slightly different outcome in regard to reading development (Resmovits, 2013).

According to the report, “charter school students on average slightly outpace comparable public school kids in reading” (Resmovits, 2013, p. 1). The report translated their findings into “days of learning” and compared charter school students to their “virtual twin” in public schools (Mezzacappa, 2013). On the whole, charter school students are eight instructional days ahead of public school students at the end of the school year (Resmovits, 2013). In Pennsylvania,

however, charter students on average are 29 instructional days behind in reading (Niederberger, 2013c). Furthermore, while on average charter students and public school students were receiving about the same amount of instructional days in math, charter students in Pennsylvania were 50 days behind in math (Niederberger, 2013c). As a result of the poor results in reading and math, Pennsylvania ranks among the bottom three states in the study alongside Oregon and Nevada (Niederberger, 2013c).

The performance of cyber charter schools once again dragged down the performance statistics of the entire charter school system claimed Devora Davis, one of the study's authors (Niederberger, 2013c). Davis went on to explain that cyber charters accounted for 30% of the students studied even though there were only eight cyber charters in among the almost 100 schools studied (Mezzacappa, 2013). As was the case in 2011, all eight of these cyber charter students performed worse than their counterparts in public schools (Mezzacappa, 2013). In addition to the CREDO reports, more negative results surfaced for cyber charter schools in regard to state testing in 2012 (Niederberger, 2013a). According to the updated results released by the Department of Education, the number of charter schools making AYP was only 43 out of the PSBA's total of 156 charter schools in Pennsylvania (Niederberger, 2013a). Furthermore, none of the 12 cyber charter school met AYP in the spring of 2012 (Herold, 2013).

Due to the current funding formula and lack of evidence supporting charter schools, many continue to look for reforms. One of the leaders for charter school funding reform is James Roebuck, who is the Democratic chairman of the House Education Committee and the representative for the 188th district in west and southwest Philadelphia (Roebuck, 2013b). In October of 2012, Roebuck introduced House Bill 2661 that was aimed at changing the current funding formula for charter schools in Pennsylvania (Fioriglio, 2012). The bill would set limits

on the amount of surplus fund balances charter schools could have at the end of each year (Roebuck, 2012). Traditional public schools have limits between eight and 12 percent, but charter schools currently do not have such limits (Fioriglio, 2012). The bill would require that the charters return any excess funds back to school districts (Roebuck, 2012). In addition to surplus limits, the bill set out to remove the pension double dip, limit special education funding, require year-end audits by the State Department of Education, and increase transparency for management organizations that oversee charter schools (Roebuck, 2012).

In March of 2013, Roebuck released a report claiming to reveal fraud in charter schools across Philadelphia and calling for reform to the operation of charter schools in the state of Pennsylvania (Roebuck, 2013a). The report found the misuse of funds, hiring issues, unreported finances, and conflicts of interest at multiple charter schools that made Roebuck believe charter schools need to be held more accountable for funding and operation (Roebuck, 2013a). The report included 37 examples of serious problems including instances of fraud and test-score cheating from charters across the state (Woodall, 2013a). Furthermore, the report found that traditional public schools performed better than charters in terms of achieving AYP (Williams, 2013). After the release of the report, Pennsylvania Families for Public Cyber Schools and the Pennsylvania Coalition of Public Charter Schools disputed the results (Woodall, 2013b). The second group claimed that conclusions were outdated and many issues had been resolved (Woodall, 2013b). Furthermore, the group claimed the report was selective and done that way for political reasons (Woodall, 2013b).

Despite the criticism, and the stalling of House Bill 2661 in the House, Roebuck pushed forward with his newly sponsored piece of legislation titled House Bill 934 (HB 934) (PSBA, 2013). A summary of the HB 934 was included in the release of his report in March (Williams,

2013). The bill sought to create a Charter School Funding Advisory Commission to examine the cost and funding of charter schools for all students (Roebuck, 2013a). The bill called for an elimination of the pension double dip that would save an estimated \$50 million a year while reforming special education funding to account for the actual needs of the students (Roebuck, 2013b). If it passed, it also would create an Office of Charter and Cyber Charter Schools to oversee and investigate many aspects of charter schools including performance, possible fraud, and abuse by schools (Roebuck, 2013a). The bill called for online publications of agreements between charter schools and the education service provider as well as an increase in requirements for charter applications (PSBA, 2013). Finally, the bill would base renewal of charters on the charter school meeting academic performance requirements that the public schools must meet (Roebuck, 2013a).

Another piece of legislation that could have impacted the operation of charter schools in Pennsylvania was Senate Bill 1, which would become known as SB 1. Introduced by representative Jeff Piccola, SB 1 was one of the more controversial bills introduced over the past two years (Roebuck, 2013a). SB 1 would have increased the number of charter schools by giving school boards expanded powers to convert public schools to charters (Couloumbis & Hardy, 2011). In the end, SB 1 did receive consideration in the General Assembly floor, but it did not pass as law (Roebuck, 2013a).

The final piece of legislation had the potential to impact the entire landscape of the education system in Pennsylvania was the Education Empowerment Act (EEA) (Crossey, 2010). Originally passed in 2000, the EEA was supposedly aimed at getting the state involved in struggling districts in order to help the students improve academically (Snyder, 2000). When the act was set to expire in 2010, Senate Bill 1192 was proposed and it would expand privatization

through an increase in charter schools, educational management organizations (EMOs), and an increase in state involvement in running districts if schools did not meet NCLB requirements (Crossey, 2010). Should the bill have passed, it would have resulted in many schools that were deemed “failing” be converted into charter schools (Kinitisch, 2010b). In the end, the bill did not pass as proposed, but more details of Senate Bill 1192 and its shortcomings will be discussed further in the next section of this thesis.

Currently, Roebuck is not the only one attempting to make changes to the charter school system. As a result of proponents of traditional schools voicing their opinions of charter school funding and lack of accountability, as well as other issues, there are over a dozen bills pending in the Pennsylvania legislature (Herold, 2013). Other bills proposed in the Pennsylvania Senate and House during the first half of the 2013-14 fiscal year have similar concerns to that of House Bill 934 (PSBA, 2013a). The most common call to action focused on the elimination of the pension double dip, which essentially means that teachers are receiving retirement payments from the local school district paying the charter school as well as the state (PSBA, 2013a). In addition, multiple proposed bills also focus on accountability in charter schools, changes to special education funding, more accurate accounts of operation costs, and limits to payments by districts (PSBA, 2013a). Ultimately, no final action has been taken by the General Assembly on the charter reform bills presented since 2011 (Roebuck, 2013a).

Charter schools are the most common form of privatization of education in Pennsylvania. Throughout the state, charter schools are a readily available option for students and families that have even replaced public education options. Since the opening of the first charter school in the state, the number of students attending brick and mortar as well as cyber charter schools has continued to grow each year. Urban areas, such as Philadelphia, have the highest proportion of

students attending charter schools. The state funding formula and inconsistent academic performances on statewide tests are the major issues surrounding the passing of legislation to expand the number of charter schools in the state. Therefore, the future role of charter schools in the education system in Pennsylvania will largely depend on the ability of these schools to outperform their public school counterparts, thus demanding the necessary funding to continue operating.

Chapter 3

State Takeover and Privatization

In addition to allowing for the formation of charter schools, the state has taken control of multiple struggling school districts over the years. By the late 1990s and early 2000s, the state legislature believed the state must intervene in districts that had a history of academic failure. As a result of the state involvement, privatization expanded in multiple districts, particularly in urban areas, with the growth of charter schools and other schools of choice. For the state to take over these districts, legislation had to pass through the General Assembly. As discussed earlier, Tom Ridge pushed for increased privatization of education through the establishment of charter schools during his tenure as governor of Pennsylvania from January 17, 1995 to October 5, 2001, (Pennsylvania Historical & Museum Commission, 2013). While Gov. Ridge failed to implement voucher systems, as we will see later in the thesis, he was eventually able to gain the support to pass two major pieces of legislation that would shape the future of education privatization in Pennsylvania: Act 46 and Act 16 or the Education Empowerment Act (Maranto, 2005).

In 1998, Act 46 gave the state the power to takeover school districts that were financially insolvent, which played a major role in Philadelphia (Maranto, 2005). In May of 2000, the General Assembly passed the Education Empowerment Act (Chamberlain, 2005). Using PSSA scores as the criteria for assessment, the act created a list of struggling school districts that had a combined average of 50% or more students scoring in the bottom quartile for math and reading over a two-year period (Chamberlain, 2005). Initially, nine districts were placed on the Education Empowerment List, but Chester Upland and Harrisburg City School District were considered Empowerment districts by December of 2000 (Chamberlain, 2005). Other districts on the initial list included Allentown, Clairton City, Lancaster, Steelton-Highspire, Sto-Rox,

Wilkinsburg Borough, and York City (Crossey, 2010). As a result, the state reform and “takeover” bill targeted 11 urban school districts with high student failure rates (Maranto, 2005).

Once a school was placed on the Education Empowerment Act List, it had three years to improve test scores or face a state takeover (Maranto, 2005). Each district was required to appoint a local School District Empowerment Team to develop a school district improvement plan (Chamberlain, 2005). The district was then assigned an appointed advisory team by the Secretary of Education Eugene Hickok that was composed of educational and business leaders (Snyder, 2000). The advisory team was supposed to assist the empowerment team develop reform plans for the school district (Snyder, 2000).

Proponents of the act, including Eugene Hickok, argued that the act was designed to empower the teachers, parents, and community leaders of the listed districts. According to Hickok, the schools would also benefit from the extra \$25 million when turning the school around. Meanwhile, opponents, such as Patsy Tallarico, who was president of the Pennsylvania State Education Association (PSEA) at the time, disagreed, stating that the school districts actually lose power by losing control of decisions related to their children’s education (Snyder, 2000).

After the initial backlash to the Education Empowerment Act was, it appeared as if the coalition opposed to the act eventually had to concede to the state. By June 30 of 2010, the law was set to expire unless a new law was passed and this motivated Senator Jeff Piccola to propose Senate Bill 1192 (SB 1192) on February 1, 2010, which was mentioned briefly when analyzing charter schools. Rather than listing failing districts as a whole, the bill would allow for individual schools to be listed on the Empowerment List (Kinitisch, 2010b). As a result, the bill would impact hundreds of schools rather than a select few districts, but the new schools would not

receive extra funding (Kinitisch, 2010a). The bill would allow for the Pennsylvania Department of Education to take control of all the schools on the list and override any local board decisions (Kinitisch, 2010b). To this point, the act had primarily impacted urban districts such as Chester Upland, Duquesne, Harrisburg, Philadelphia, Pittsburgh, and Reading, which all had empowerment status (Kinitisch, 2010b).

The bill would lower the standards and, thus, make it easier to place school districts on the Empowerment List (Kinitisch, 2010b). The bill will be based on assessment results in the most recent year with regard to the subgroups of the student population including but not limited to children in poverty, English Language Learners, and race (Kinitisch, 2010a). If less than 70% of students in any subgroup are unable to pass either reading or math, the school would be listed as an empowerment school (Kinitisch, 2010a). Unlike the first Education Empowerment Act, there is no grace period for improvement (Kinitisch, 2010a). The one exception to the new system would be Philadelphia, which, when the bill is revised, would not see any changes to the current government structure of the district (Kinitisch, 2010b).

On January 10, 2010, PSEA Vice President Mike Crossey, who spent over 30 years as an emotional support teacher in Keystone Oaks School District, spoke to the Senate Education Committee about the concerns PSEA had with the possible reauthorization of the Educational Empowerment Act (EEA). Initially, Crossey spoke of the progress made by multiple districts originally on the empowerment list and stated that only four of the original schools – Chester Upland, Duquesne City, Harrisburg City, and Philadelphia – remained on the list. Speaking to the need to correct the problems in the remaining districts, Crossey called into question the reasoning for potentially adding more districts to the list under new qualifications related to NCLB. Using NCLB, schools would have to be 100% proficient by 2014 or would be added to

list. The other major concern for Crossey was the lack of research to back decisions such as extension of charters, the involvement of educational management organizations (EMOs), and state control. To Crossey, and the members of PSEA, there is not enough sound evidence to show that the policies under the original EEA, which include further privatization of education, has led to progress in these districts (Crossey, 2010).

As Crossey explains, the record of EMOs is at best mixed. This is supported by research from the well-respected education corporation RAND (Crossey, 2010). According to studies, Edison schools do not outperform comparison schools during the first three years of operation, but do improve greatly in the fourth and fifth year of operation (Gill, 2005). However, the improvements could be attributed to the removal of low-performing schools (Gill, 2005). Crossey argues that the absolute control EMOs, such as Edison in particular, exert over the selection of their location, their faculty, and the preparation of their assessments should give them a distinct in advantage in performance, but it does not (Crossey, 2010).

The record of districts run by the state is also called into question because it removes the community element of school districts (Crossey, 2010). The new EEA would create a three-person School Reform Commission that is selected by state and local officials that runs the school district (Crossey, 2010). The taxpayers and parents would lose the chance to vote for school board members and have their voice in the community overpowered (Crossey, 2010). In the end, SB 1192 was only laid on the table on June 9 of 2010 (Piccola, 2010).

Due to the size of the district, and the impact of privatization, it is crucial to take a closer look at the state's involvement in running the School District of Philadelphia (SDP). The SDP serves over 200,000 students, which makes it one of the largest school districts in the United States (Byrnes, 2009). In the late 1990s, the struggling urban school system combined with a

conservative state government set up the ideal situation for privatization on a large scale (Byrnes, 2009).

The tension between the state and the SDP began soon after Republican Tom Ridge became governor in 1995. At the same time that Governor Ridge came into office with his plans to privatize education, the superintendent of the SDP, David Hornbeck, was creating his own reform plan called *Children Achieving*. According to the reform plan, the school district could fix itself from within as long as it was provided adequate financial support. With his own plan in mind, Hornbeck was resistant to the idea of outside organizations or state leaders taking power in Philadelphia (Maranto, 2005).

Hornbeck faced a difficult obstacle, however, with the state freeze on school funding that had occurred in 1993. With the funding situation and a pro-privatization governor in office, Hornbeck announced that the district would make no further reductions to any programs, even if that would result in a shut down of the district. In response, the state legislators passed Act 46 that gave the state the power to takeover any district in financial and/or academic distress. By 2000, the state legislators had passed Act 16, or the Education Empowerment Act, which aimed at taking over 11 districts that had done poorly on state assessments. As a result of the reluctance of the state to adopt his own plan, Hornbeck resigned in June of 2000 (Maranto, 2005).

One year later, with a new mayor and superintendent in office, Governor Ridge began the final push to takeover the school district for the upcoming school year. On July 30, 2001, Mayor Street and Governor Ridge came to an agreement that a state takeover would begin in November if a long-term budget agreement could not be reached (Maranto, 2005). Within days, Governor Ridge gave Edison Schools a \$2.7 million no-bid emergency contract to study Philadelphia schools and make recommendations to improve the school district (Gill, 2005). Initially, the

results of the study were supposed to be released within two months; however, Governor Ridge would accept his offer to become Director of Homeland Security (Maranto, 2005). The movement of Ridge to his new position followed by the takeover of his successor, Mark Schweiker, pushed the release of the results back until November 1st (Maranto, 2005). The report found the district was facing “grave academic and fiscal crises” (Gill, 2005). The report then recommended that Edison along with other for-profit firms should head the failing schools and the central management of the district (Maranto, 2005).

The recommendations made by the report caused an emotional stir from various interest groups, taxpayers, school personnel, parents, and students who held public protests throughout the city (Gill, 2005). The for-profit concept of school management combined with the mixed academic results at other schools headed by Edison was the two major concerns to opponents of the district takeover (Maranto, 2005). Furthermore, the extreme wealth of then-CEO Chris Whittle seemed to bother people. One Pennsylvania Department of Education bureaucrat stated, “It was the for-profit aspect, and I think the way they carried themselves in some cases, like where was [Whittle] staying and what kind of car was he driving” (Maranto, 2005).

There was certainly much resistance to the privatization by students and the public (Byrnes, 2009). Hundreds of Philadelphia students from Mastbaum, William Penn, and other schools walked out of classes to march on the streets in protest on November 29, 2001 (Saltman, 2005). The students were met by police officers who were blocking the entrance to the school board building as the school board was planning to meet there for possibly the last time as the heads of a public-run school district (Saltman, 2005). Later the Philadelphia Student Union led more student activists to a protest in front of City Hall (Saltman, 2005). The city council filed a lawsuit to try to prevent the takeover by Edison and the Philadelphia Federation of Teachers

(PFT) filed its own lawsuit to prevent Edison from benefiting from a takeover (Gill, 2005). In the end, both groups were unsuccessful in the courts, but did cause damage to the Edison image and made a political statement (Gill, 2005).

By mid-fall of 2001, Mayor John Street was actively protesting the potential decisions by the state. In mid-November, Mayor Street set up an emergency office in the school board building. Furthermore, he publicly complained about the inside track Edison had for a contract in Philadelphia due to the money already invested in the company for the study by Ridge. At the same time, the American Federation of Teachers published a study that disputed Edison's claims of superior academic performance (Saltman, 2005).

Despite the numerous protests, the takeover by the state combined with privatization would prevail. In December of 2001, Schweiker and Street came to an agreement on a "friendly" takeover with major state concessions (Maranto, 2005). The School Reform Commission (SRC) was created by February of 2002 to replace the school board and run the district (Gill, 2005). The SRC would have five seats with two appointed by the mayor of the city and three appointed by the state (Byrnes, 2009). In June of 2002, Paul Vallas, who was the well-respected former Chicago public schools chief executive officer (CEO), was hired to be the new district leader (Gill, 2005). After months of hearings, on July 31, 2001 the SRC awarded contracts to a total of seven for-profit and nonprofit providers to run 45 of the city's 264 public schools (Maranto, 2005).

While it may have seemed that the public resistance to the state takeover failed, it was successful in limiting the scope of privatization in Philadelphia. The number of schools, 45, that would be taken over by Educational Management Organizations (EMOs) was much lower than that proposed in the original plan. To start the 2002-2003 school year, three for-profits and two

non-profits were awarded five-year contracts while two universities were awarded three-year contracts. The main for-profit company was Edison Schools and the company was in charge of 20 schools. The other two for-profit companies, Victory Schools and Chancellor Beacon Academies, would head five schools each. The non-profit organization Foundations would take the lead on five schools while Universal Companies would take the lead on three. Finally, Temple University was in charge of five schools and the University of Pennsylvania was in charge of three schools. In addition, the Office of Restructured Schools (ORS) was created to oversee 21 schools. When Vallas became head of the district, Philadelphia could claim the largest single privatization effort in the United States to date (Byrnes 2009).

During his tenure as CEO of the school district and leader of the newly created SRC from 2002 to 2007, Paul Vallas would utilize what is referred to as a “diverse provider” model in which there are various forms of school options for parents to select from throughout the city. As the number of high schools in the district nearly tripled, dozens of low-performing schools were taken over by private companies and EMOs. In addition to running schools, private companies took on the tasks of writing curricula, running after school programs, and creating alternative schools. During his five years, Vallas approved the spending of an extra \$107 million to bring in outside companies to run schools. By the end of his time as CEO, the school district showed certain improvements in academic testing scores, but still faced many of the same problems including financial distress, a high dropout rate, violent outbreaks in schools, and a continued achievement gap by minority students (Mezzacappa, 2007).

The CEO to succeed Vallas was Arelen Ackerman, who came to Philadelphia in 2008 after serving as superintendent of the school districts in San Francisco and Washington, D.C. When she arrived, she laid out a five-year plan to improve low-performing schools and increase

school choice. For the next three years, test scores did improve, but Ackerman clashed with elected officials in the school system and would end up leaving before her contract expired as she had in the previous two cities (Douglas, 2013).

In the spring of 2012, an attempt was made to further privatize education in Philadelphia once again (Piette, 2012). Facing a financial disaster with major cuts to education over recent years, the School Reform Commission appointed former Philadelphia Gas Company CEO Thomas Knudsen to the position of district recovery officer (Piette, 2012). As recovery officer, Knudsen is proposing major cuts to school districts including a reducing staff, removing programs, and closing schools in order to get the School District of Philadelphia out of the current financial situation (Piette, 2012). The proposed action is being referred to as the Knudsen School Transformation Plan or Knudsen Plan (Robinson, 2012).

Under the Knudsen Plan, up to 40 schools will be closed by 2013 and another 24 will be closed within five years (Robinson, 2012). The remaining schools, which total 185, will be divided into achievement networks of about 25 schools each and these networks will be run by private education management organizations that win bids for the schools (Piette, 2012). The plan will also increase the percentage of charter school students from 25% to 40%, or 80,000 students (Piette, 2012).

The plan has been met with great resistance from major organizations concerned with the future of the education system in Philadelphia (Piette, 2012). The president of the Philadelphia Federation of Teachers (PFT) labeled it as a right wing, market-driven plan that will privatize education and force underprivileged families to choose between privately-run schools (Piette, 2012). In addition, the Philadelphia representatives of the Green Party call the plan a “recipe for disaster” (Robinson, 2012).

The major difference between the attempts to privatize education in Philadelphia this time compared to 2001 appears to be the support the state is receiving from Mayor Michael Nutter. For those opposed to the plan, Mayor Nutter has said, “Grow up and deal with it” (Robinson, 2012). The interesting part is that each time privatization has been proposed on a mass scale, there has been a Democratic Mayor (as would be expected in a major city), but Mayor Street initially strongly protested takeover while Mayor Nutter is accepting this plan more easily. The reasons that the Democratic mayor would be accepting of the plan embedded with Republican views can be debated, but it is important to point out that the economic crisis of 2008 and major budget cuts have forced Mayor Nutter to make tough decisions on where to cut cost.

The next five years in Philadelphia education is uncertain. By endorsing the Knudsen Plan, Mayor Nutter seems to indicate that privatization will continue and public education in Philadelphia will never be the same (Robinson, 2012). Others, such as *Washington Post* blogger Karen Strauss, seem to think privatization will fail as it did the first time (Piette, 2012). While there is no definite answer, it is true that those who support public education will continue to fight for public schools in the city, but privatization is here to stay.

Proponents as well as opponents of privatization have continued to search for strategies to improve test scores and academic performance in struggling school districts. Urban school districts in particular, which often have a history of poor performance on statewide testing, have been the most affected by state legislation related to district takeovers. In Philadelphia, state legislators have been making decisions that directly influence educational opportunities in the entire district and have expanded privatization in the last fifteen years. The legislators have been met with resistance from major organizations in support of public school education, but have still been successful in implementing privatization policies. Over, state takeovers of districts occur

most often in the poor performing districts and thus privatization will remain a major part of the educational landscape in these areas.

Chapter 4

Education Improvement Tax Credit (EITC) Program

The last major form of privatization to be discussed is the Education Improvement Tax Credit or EITC program, which was created after multiple unsuccessful attempts to produce a complete voucher system by Governor Tom Ridge (Christman & Rhodes, 2002). Within months of taking office in 1995, Gov. Ridge proposed a statewide voucher plan called “Keystone Initiative for a Difference in Our Schools” that would provide “educational opportunity grants” to families (Christman & Rhodes, 2002). Under the initiative, the families could use the opportunity grants to send their students to private, religious, or out-of-district public schools (Christman & Rhodes, 2002). To be eligible, families initially had to make \$15,000 or less a year and that number would increase to \$70,000 eventually (Christman & Rhodes, 2002). The bill passed the Senate, but was rejected by the House of Representatives (Christman, 1999).

Later that year, in December of 1995, Ridge tried to push forward the voucher program in his educational reform plan called KIDS II. The plan was to instill a five-year voucher program for public, private, and religious schools in certain areas. The House adjourned without considering the plan because it would not assured victory. Gov. Ridge blamed the state’s largest teacher union, the Pennsylvania State Education Association, for the failure of the plan. While Gov. Ridge pointed blame primarily at one group, the PSEA had support from the nearly 40 organizations that joined the Public Education Coalition to Oppose Vouchers to help block the passage of the bill. Meanwhile, Coalition Chairman Randy Wenhold of Quakertown simply said it was bad public policy. Finally, it is important to note that Republican and Democratic leaders of the House Education Committee joined forces to support Senate Education Committee chairman James J. Rhoades (R-Schuylkill), as well as others, in opposing the bill since they were

not included in the planning stages. All these factors seemed to lead to the defeat of the bill (O'Matz, 1995).

In the spring of 1999, Gov. Ridge would try to pass a very similar program with the introduction of the Academic Recovery Act (Christman & Rhodes, 2002). The vouchers would once again be called Educational Opportunity Grants and would provide a specific amount per voucher depending on grade level or 90% of the cost of tuition at a school, whichever is less (Christman, 1999). For example, students in kindergarten through 8th grade would receive \$700 or 90% of tuition and those in the remaining grades would receive a voucher worth \$1,000 or 90% of tuition (Christman, 1999). As with the early voucher program, eligibility would require an annual household income of less than \$15,000 in the first year, but increase to \$75,000 in the third year (Christman, 1999). Hoping it would pass, Gov. Ridge prepared to spend \$63 million of the state budget on the pilot program (Christman & Rhodes, 2002). Again, he failed to gain enough support from the rest of the legislature (Christman & Rhodes, 2002).

Despite failing multiple times, Gov. Ridge proposed another education plan in the spring of 2001 that would pave the way for a semi-voucher program (Christman & Rhodes, 2002). In an exchange for an increase in teacher pensions, the education bill provided grants for after-school tutoring given that the children are failing state tests and allowed for districts to create independent schools without starting from scratch (Christman & Rhodes, 2002). While these were minor victory for vouchers and privatization, they did not effect children's ability to select a new school altogether. The more controversial aspect of the education plans centered on a tax credit program that would essentially provide vouchers for students (Christman & Rhodes, 2002).

While Pennsylvania did not adopt a full-fledged voucher program, it did allow for a tax credit program called that, as note above, has been in existence since 2001 (Levy, 2012). The Educational Improvement Tax Credit (EITC) officially went into effect on July 1, 2001 as Act 4 and was created to provide scholarships to children in low-income families (PSBA, 2013b). The program rewards businesses that contribute to nonprofit groups that in turn provide scholarships to low- and middle-income families (Levy, 2012). In order to receive a tax credit, a business must make a contribution to one of three entities: a scholarship organization (SO), an educational improvement organization (EIO), or a pre-kindergarten scholarship (PKSO) (Herzenberg, 2011). The donation must be made in cash, personal property, or services and the amount of tax credit received is dependant upon the type of entity to which the business made a donation (PSBA, 2013b).

The two types of entities that were included in the original legislation are SOs and EIOs. The third and final entity, pre-kindergarten scholarships (PKSOs), was added in 2004-05. The first entity, SOs, are nonprofit organizations that donate at least 80% of their annual cash donations to a scholarship program, which will provide eligible students with tuition to go to a school within the state. The second entity, EIO, is a nonprofit organization that donates at least 80% of their annual cash donations for innovative educational programs that enhance the curriculum of public schools. The third entities, PKSOs, are nonprofit entities that donate at least 80% of their cash donations to scholarship programs offered in pre-kindergarten. Again, eligibility for students was based upon their household income falling below a certain amount determined by the DCED. Before 2009, schools needed to provide at least two hours of instructional and developmental activities per day for at least 60 days out of the school year to be considered a pre-kindergarten program. In 2009, the requirements changed to at least 2 hours of

instructional and developmental activities per day for at least 20 days in the summer (PSBA, 2013b).

The amount of tax credit varies based on the entity and the amount donated (DCED, 2013a). When a business donates to an SO or EIO, the tax credit will not exceed 75% of the donation or \$300,000, unless the business makes a two year commitment (DCED, 2013a). In that case, the business would be eligible for a tax credit of up to 90% of the total contribution for each year (DCED, 2013a). When businesses decide to donate to a PKSO, the tax credit would be 100% on the first \$10,000 and 90% tax credit on all contributions over that threshold (DCED, 2013a). The program began with \$30 million available in tax credits for SOs and EIOs (PSBA, 2013b). Between the 2001-02 school year and the 2008-09 school year, the amount of tax credit available for SOs grew from \$20,000,000 to \$44,666,667 (Herzenberg, 2011). Meanwhile, the amount available for EIOs grew from \$10,000,000 to \$22,333,333 (Herzenberg, 2011). By 2011, the program had made available a total of over \$335 million just in payments to SOs and over \$170 million in payments to EIOs (Herzenberg, 2011).

According to a report by the Legislative Budget and Finance Committee (LBFC), in 2009-10, businesses contributed over \$40 million to 238 SOs and received \$35 million in tax credits. The contributions funded over 38,000 scholarships. In the same year, over \$6.6 million was donated to provide over 5,500 scholarships to PKSOs and businesses received \$6.1 million in tax credits. Finally, the report showed businesses donating more than \$16.8 to EIOs while receiving over \$14 million in tax credits. A report by the Keystone Research Center found that the EITC program services students primarily in large urban areas such as Philadelphia and Pittsburgh (PSBA, 2013b).

Eligible students currently come from a household that makes less than an annual income determined by Department of Community and Economic Development (DCED) (PSBA, 2013b). The majority of EITC scholarship recipients live in urban areas (Herzenberg, 2011). A report by the Keystone Research Center found that the EITC program services students primarily in large urban areas such as Philadelphia and Pittsburgh (PSBA, 2013b). There are 196 organizations, out of 247, that are located in 12 urban counties (Herzenberg, 2011). Furthermore, 22 counties have no SOs, 19 have one, and six have two; meaning that over two-thirds of Pennsylvania counties have two or less SOs (Herzenberg, 2011). Allegheny County has the highest number of SOs with 30 and Philadelphia as well as Montgomery County both have the second most with 28 each (Herzenberg, 2011). In addition to the trend that appears showing that a high density of SOs and recipients are in urban areas, another trend indicates that there are a high number of religious and other private schools in urban areas as well (Herzenberg, 2011).

In 2011, Republicans in the Senate led by Governor Tom Corbett made a strong push to increase the EITC program and even establish a voucher program in Pennsylvania. By October of 2011, the Senate had approved a bill by a 27 to 22 vote to extend vouchers to low-income families with children in the lowest 5% of poor-performing schools (Couloumbis & Hardy, 2011). Democratic Senator Anthony Williams of Philadelphia and Republican Senator Jeffrey Piccola of Dauphin County introduced Senate Bill 1, which would become known as SB 1 (“Top ten reasons to support SB,” 2011). The bill was written to assist families with incomes of \$29,000 or less and would provide vouchers from \$5,765 to \$13,905 depending on the district (Couloumbis & Hardy, 2011). The exact amount of the vouchers would vary from student to student and would be equivalent to 100% of the state’s per-pupil subsidy to the child’s home

school district (Herzenberg, 2011). The new bill would expand the program to make \$100 million in tax credits available to businesses (Couloumbis & Hardy, 2012).

During the first year of the program, students would only be eligible if they were from low-income families and attending the 144 “persistently lowest-achieving” schools. Therefore, in the 2011-12 school year, low-income students who attended a low achieving school the previous year will be eligible. Then, the number of eligible kids would increase each of the next two years. In the 2012-13 school year, children who attended private schools in the 2010-11 school year and live in the attendance area of a persistently lowest achieving public school will be eligible. Finally, by the 2013-2014 school year, all low-income students in Pennsylvania will be eligible for the program (Education Law Center, 2011).

Those in favor of school choice applauded the victory in the Senate (Couloumbis & Hardy, 2011). Soon after it passed, Governor Corbett called it "a strong education reform package that will help improve opportunities for thousands of school children throughout Pennsylvania (Couloumbis & Hardy, 2011).” In addition, SB 1 would motivate public schools to improve and, as a result, improve the quality of education for all students (Baruch & Zelno, 2011a). Pennsylvania Senators, along with advocates of school choice, saw it as another step towards privatizing the education system in Pennsylvania (Couloumbis & Hardy, 2011). The FreedomWorks Foundation, a grassroots organization in favor of school choice, tried to rally support for SB1 by claiming that it allowed parents to choose their child’s school and thus will help children escape poverty (“Top ten reasons to support SB1,” 2011). Second, FreedomWorks stated the bill was constitutional since it took money form the general fund that was not raised specifically for public schools (“Top ten reasons to support SB1,” 2011). Finally, the group claimed the bill would save taxpayers money since vouchers would be just under \$8,500 per

student compared to the \$17,675 spent per student in Harrisburg (“Top ten reasons to support SB1,” 2011). Since the bill had only passed the Senate, it still had to get through the House before final approval and most House Democrats did not show any urge towards passing the bill (Coulombis & Hardy, 2001).

As SB 1 was pending, it was met with great resistance from various organizations and individuals. The first main issue brought forward by opponents of SB 1 was the potential cost to taxpayers. In April of 2011, Dr. Stephen Herzenberg of the Keystone Research Center released a report regarding tax credit programs in Pennsylvania and pointed to the potential cost the program could have to taxpayer (Herzenberg, 2011). According to the report, Herzenberg stated that the pending Senate Bill 1 (SB1) would increase the amount of taxpayer money used for students who choose to attend private or religious schools (Herzenberg, 2011). A news alert by the Education Law Center, an organization dedicated to providing quality public education to students and providing families with information regarding legal action towards education, supported Herzenberg, stating that the majority of taxpayers dollars will actually end up in the hands of families with students already enrolled in private and religious schools (Kintisch & Schaeffer, 2011). Between 2013 and the 2015-16 school year, it is expected that a total of \$150 million from taxpayers would fund tuition for students already enrolled in private and religious schools, which is 60% of the total voucher funding according to the Fiscal Note on the bill (Kintisch & Schaeffer, 2011). Based on estimates of the total cost of the program, the program would cost the state between \$840 million and \$960 million per year. Furthermore, it is estimated that the first year would cost the state \$54 million and the second year would cost \$135 million (Herzenberg, 2011).

In addition to pointing to concerns with cost, Herzenberg questioned the ability to track the progress of the students receiving the vouchers and hold the schools as well as the organizations providing vouchers accountable. Tracking the performance of EITC students is difficult because the academic accountability for the program is much different than that of public schools. There is no requirement for schools in the program to take and report on state assessments. Since there are no requirements regarding state tests, there is no way to compare test results to public schools and, as a result, no way to judge the quality of these schools compared to public schools. The state law actually prohibits the state from inquiring about achievement data. The organizations only need to report information on the number and amount of scholarships after the passing of Act 46 of 2005. The state does not collect information on the way in which the private schools or the SOs spends money themselves (Herzenberg, 2011).

Aside from cost, the Education Law Center pointed to the potential for nonpublic schools to reject low-income students from the program (Education Law Center, 2011). According to the state, the voucher system in SB 1 does not use a lottery to select students (Kintisch & Zelno, 2011a). Instead, it allows the nonpublic schools to make a decision on a first-come-first-serve basis and use special criteria for admissions (Kintisch & Zelno, 2011b). There are two loophole provisions contained in the bill that will allow schools to discriminate against English Language Learners, students with disabilities, and students with disciplinary problems (Kintisch & Zelno, 2011b). The school can claim that it does not have the programs and/or resources necessary to provide a proper education for students with special needs (Education Law Center, 2011). Most notably, a school can expel a student from the school at any time without following the same due process as public schools (Baruch & Zelno, 2011b). As a result, many risk students, and students

with special needs, will not receive a better opportunity for an education, but instead will be denied a chance to enroll in schools using the voucher program (Kintisch & Zelno, 2011b).

Furthermore, the Education Law Center pointed to the potential for families to still be unable to afford tuition to nonpublic schools. The bill allows private and religious schools to charge tuition that is above the amount provided in the voucher (Baruch & Zelno, 2011a). Therefore, most low-income families will still be unable to send their children to a different school even with the voucher (Kintisch & Zelno, 2011b). In addition, the bill does not guarantee a fixed annual amount once the student arrives at the school (Kintisch & Zelno, 2011b). Low-income families may not be able to pay for any increase in costs that the voucher does not cover in future years (Kintisch & Zelno, 2011b).

The concerns brought forward seemed to be enough to stop SB 1 as the bill only made it as far as the floor of the General Assembly and was never signed into law (Roebuck, 2013a). Just a few months later, however, a new bill titled House Bill 2468 (HB 2468) was introduced. In June of 2012, Representative Jim Christiana along with Representative Tom Quigley sponsored the bill that again sought to expand the EITC program (Fosnot & Wamsley, 2012). The new bill would increase the scope of the program, increase the limits for scholarship recipients, and increase the tax credit limits (Pennsylvania Budget and Policy Center [pennbpc], 2012b). Furthermore, the bill set to establish a new program called the Educational Opportunity Scholarship Tax Credit (Fosnot & Wamsley, 2012). A new entity, called an Opportunity Scholarship Organization (OSO) was created to offer Educational Opportunity Scholarships (EOS) to students who qualify and live close enough to a low-achieving school (Department of Community and Economic Development [DCED], 2013b).

Proponents of the program argued that expanding the EITC program will not affect the budget since the companies are paying for the vouchers, but the Pennsylvania Budget and Policy Center disagrees. According to the analysis of House Bill 2468 conducted by the Pennsylvania Budget and Policy Center, companies who contribute to the EITC program would receive a “triple dip” tax reduction. First, the company receives the tax credit from the state for 75% to 90% of the donation under the EITC program. Second, the company can take state reductions for a “charitable” contribution. Thirdly, the company can take federal reductions for a “charitable” contribution. In the end, the company would pay very little in out of pocket costs and taxpayers still burden a substantial cost. Furthermore, public schools continue to suffer from the lack of funding received from the state and federal government (Pennbpc, 2013a).

The final push for HB 2468 was during the final weeks of the 2011-2012 fiscal year, so the bill itself did not pass. In the end, the EITC program was expanded and the Opportunity Scholarship Tax Credit (OSTC) program or EITC 2.0 was launched as part of the omnibus tax bill known as House Bill 761 (Linn, n.d.). Under House Bill 761, several changes were made to the tax code that included changes to the tax credit program. Building off the ideas of SB1 and HB 2468, the OSTC program would allow businesses to receive a tax credit for contributing to a new entity, an Opportunity Scholarship Organization, or OSO (DECD, 2013b). The OSO would provide tuition assistance through the form of a scholarship for students living within the boundaries of a low-achieving school (DCED, 2013b). A low-achieving school is a public school that scores in the bottom 15% of combined math and reading scores from the previous school year (Linn, n.d.). There are 414 schools that meet this criterion across ten districts Bristol Township in Bucks County, Chester Upland, Chichester, Ridley, Southeast Delco, Upper Darby and William Penn in Delaware County, Norristown and Pottstown in Montgomery County, and

the School District of Philadelphia (Hardy, 2012). The most are located in Philadelphia, where 158 exist (Hardy, 2012). Students in Philadelphia, Chester Upland School District, Duquesne, Harrisburg, and York City as well as students who qualify for reduced-price lunches get preference for the Opportunity Scholarships (Hardy, 2012).

Under the bill, scholarships are open to any student living within the attendance boundaries even if he/she is attending a private or religious school (Pennbpc, 2013b). Furthermore, the student can use the scholarship to attend another school district, or private or religious school (Pennbpc, 2013b). The school receiving students does not have to admit the student, but non-resident public schools have to select students through a lottery (Pennbpc, 2013b). Eligibility for the scholarship is based on the performance of the original school during the first year, so even if a school is no longer on the “low performing” list, the student will still receive the scholarship (Pennbpc, 2013b). In addition to the eligibility requirements related to school achievement, students and their families must meet financial requirements to be eligible to receive a scholarship (DCED, 2013b). For a family to be eligible in 2012-2013, the family income must not exceed \$60,000 plus \$12,000 for each child (DCED, 2013b). The requirements increase to \$75,000 plus \$15,000 per child in 2013-2014 and the allowance per child set to grow with inflation in future years (DCED, 2013b). The scholarships would be capped at \$8,500 for students without disabilities and \$15,000 for students with disabilities (Fosnot & Wamsley, 2012).

The OSOs follow similar procedures as the SOs, EIOs, and PKSOs in the EITC program. The donations from businesses are used to fund the scholarships for students to attend other schools (Pennbpc, 2013b). The companies receive a tax credit for their contributions to the organization (Hardy, 2012). For a one-year contribution, a company will receive a 75% state tax

credit and a two-year pledge will earn a company a tax credit of 90% of the donation (DCED, 2013b). For a first-time donation of \$10,000 to a PKSO, a company will receive a 100% tax credit. The limit on contributions by a business will increase from \$300,00 to \$400,000 in 2012-2013 and again to \$750,000 in 2013-2014 (Linn, n.d.).

Even with the new program and the addition of \$50 million, businesses only collected \$10 million in tax credits at the start of the 2012-13 school year (Hardy, 2012). The popularity of the program showed with many schools receiving phone calls constantly from students all across the state (Hardy, 2012). The problem is that many schools could not accept any more students and, as a result, the money would go to students already attending private schools (Hardy, 2012). This was discussed by Dr. Herzenberg (2011) in his report and Baruch Kintisch and Brett Schaeffer (2011) from the Education Law Center when addressing the possible expansion of the program. Normally, the SOs receive their applications in the spring so they are prepared for the following year, but since the bill passed so late in the year, businesses and organizations simply did not have time to plan for the costs (Hardy, 2012).

Despite these initial struggles, in the end, the push to increase the tax credit program was still a success. The changes to the tax code that allowed for the expansion of the program passed with late-night votes within the final hours of the annual budget being signed by Governor Corbett (Langley & Olson, 2012). The story of Gov. Corbett and the Republicans in the Senate is similar to that of Gov. Ridge and his supporters. Both groups were unable to install a full voucher system in Pennsylvania, but did provide more opportunity for scholarships to supplement vouchers. As a result, the state of Pennsylvania saw the education system increase the influence of education by private companies.

Pennsylvania is not the only state that has seen the addition or expansion of tax credit programs. According to the Annual Privatization Report on Education in 2011 (Snell, 2012), 15 states gave a total of 26 school voucher and tax credit programs with close to \$1 billion in school funding for students going to other schools in the year 2011. In 2011, 42 states introduced legislation to create or expand school voucher and scholarship tax credit programs, according to the American Federation for Children. Since January 2011, 12 bills have been enacted in nine states that are in favor of school choice programs (Snell, 2012).

The Education Improvement Tax Credit program in Pennsylvania has offered many families the opportunity to send their children to schools outside of their home district. The program operates much like a voucher system by providing scholarships for students whose family meets certain financial requirements. The newest state legislation that increased the amount of funding as well as number of businesses eligible for the program was passed with strong support from leading Republicans in the state legislature. Proponents of the program state that the businesses provide students an opportunity to escape struggling school districts. Opponents of the program argue that businesses pay little to no cost while taxpayers fund the scholarships and public school suffer. Furthermore, opponents believe the scholarships will not reach the students who need it most and will benefit students already enrolled in private schools. Despite the possible flaws in the tax credit program, legislators in Pennsylvania have taken similar action to those in other states and expanded the tax credit program.

Chapter 6

Privatization in Pennsylvania

Recently, the desire to replace the public school system with a privatized model of school choice has certainly increased (Boyd, 2007). With issues such as high dropout rates and an achievement gap between minority students and their white counterparts still evident in the country, and Pennsylvania, proponents of privatization continue to call for change (Byrnes, 2009). Using the ideas of neoliberal economics as a foundation for their arguments, supporters of privatization continue to contend that a competitive market in which parents can select the best school for their children would create better educational opportunities for everyone (Weil, 2005). In Pennsylvania, the movement has found success with the passing of state laws primarily under the leadership of Republicans over the past 15 years.

Since the Charter School Law passed in 1997, Pennsylvania has been a pioneer state for charter schools and seen steady growth in enrollment over the past decade (Davare, 2009). Urban areas, such as Philadelphia in particular, often have a high number of students attending charter schools (NAPCS, 2011). The major concern regarding the growth of charter schools revolves around the amount of funding given to the schools compared to the amount needed for improving educational opportunities in the state, particularly for cyber charters (Wagner, 2010). In addition, the lackluster results of charter school students in Pennsylvania have certainly raised concerns from many across the state about the quality of education in charter schools (Davare, 2009). Pennsylvania cyber charter schools in particular, which all failed to meet adequate yearly progress in 2012, have fallen short of expectations to provide sufficient alternatives for students who have struggled in public schools (Niederberger, 2013a).

Since cyber charter schools do not need to pay for major operational costs such as building staff and maintenance, the current funding formula takes much-needed funds away from local public schools (Wagner, 2012). Therefore, the future of charter schools relies on the ability of the state to adjust the funding formula and increase accountability among the schools themselves. In addition, charter schools need to consider proper ways to serve students with special needs. With a proper funding formula, equal accountability requirements, and more special needs accommodations, charter schools could serve a valuable role for specific students throughout Pennsylvania.

Under the leadership of Governor Tom Ridge and Governor Mark Schweiker, the state was able to utilize Act 16 and Act 46 to target struggling urban school districts (Snyder, 2000). As a result, these school districts saw EMOs and private companies controlling the curriculum and operation of various schools (Maranto, 2005). The School District of Philadelphia (SDP), in particular, saw the largest impact of privatization in any school district in the entire country (Byrnes, 2009). Even to this day, the SDP is impacted by the takeover with schools run by private companies, as well as charter schools, existing as options for students and possible expanding in the future (Piette, 2013). For urban areas, privatization seems to be more evident across the district.

While many states have state takeover laws in place, Pennsylvania is among the select few that have chosen to implement its law (McDermott, 2007). In large part, the ability of the state to takeover a school district stems from the schools' consistent low-performance on standards-based tests as well as the inability of the district to show substantial improvements in academic performance. Based on the history of Pennsylvania, and Philadelphia in particular, there is an increased availability of privatized schooling options within districts taken over by the

state. As a result, it would indicate that charter schools as well as schools run by Educational Management Organizations would continue to exist in urban and low-performing districts. Since charter schools and for-profit management has increased under the leadership of Republican Governor Tom Corbett in recent years, it would appear that the continued expansion of privatization would depend on the ability of state leaders to win support in the state legislature. The ability to contain privatization will depend in large part on the leadership and action of leading public school proponents, such as the Pennsylvania State Education Association.

The state takeover in Philadelphia in particular illustrates that privatization has certainly expanded the number of options available to families, but hasn't always resulted in a better education for students. On the whole, academic results of students who decided to attend schools of choice have been mixed and have proven to be no better than public school options. Furthermore, while the Philadelphia School District showed some improvements in academic achievement over the past decade, it is still plagued by the same issues of violence, high dropout rates, poverty, and, as a result, a constant turnover in leadership. As opponents of state takeovers would argue, blaming the victim seems to have been a faulty solution to solving major issues that cannot be solved by the schools alone (McDermott, 2007). Private or public, most often, the schools that will be successful in Philadelphia are the schools that can begin to solve problems outside of the classroom.

Students of low-income families have benefited from the scholarships offered by the EITC program since 2001 and businesses have benefitted from the tax break that is offered (Herzenberg, 2011). By creating the Opportunity Scholarships in 2012, even more students had the potential to select a new, nonpublic school to attend for the upcoming school year (DCED, 2013b). The expansion paralleled the expansion of similar programs in other states (Snell, 2012).

Through this program, the idea of creating choices for students came to fruition and the state moved a step further away from simply utilizing public education.

In theory, the program creates a more democratic educational system by expanding the community of students who can attend quality schools. However, taxpayers carry the burden of the cost of scholarships while companies benefit from the tax reimbursements. As businesses suffer little cost, the public school system continues to suffer from spending cuts in the state budget. Rather than focusing on ways to assist businesses, the state should focus on ways to fund public education. Encouraging businesses to invest in the education of students is beneficial, but not at the expense of the taxpayers and the public school system.

Based on the research conducted in this thesis, it is clear that Pennsylvania has a hybrid education system that is influenced by the public and private sector. The degree to which a school district has been privatized appears to be related to the location and past academic performance of public schools in the area. As a result, urban districts with struggling school districts seem to offer more alternative schooling options such as charter schools and schools of choice. Furthermore, these districts have had a greater amount of intervention from the state. Families and students across the state certainly have more alternative options to their local public school. The continued pressure for schools to meet state standards and for struggling schools to improve provides further opportunities for privatization to expand. Overall, it seems that the education system still operates primarily within the public sector, particularly in nonurban areas. However, the privatization movement has had a major impact over the past fifteen years and will continue to play a major role in the education system of Pennsylvania.

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ACADEMIC VITA

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EDUCATION: B.S. in Secondary Education Social Studies, expected December 2013
Minor: History, Special Education
Certificate Degree: John Curley Center for Sports Journalism
The Pennsylvania State University, University Park, Pa

HONORS: Dean's list: Fall 2009 – Spring 2013

Karl V. and JoAnne B. Erdman Trustee Scholarship in the College of Education
(2012-2013)
Alumni Volunteer Scholarship (2013)
Accenture Scholarship (2013)

THESIS TITILE: The Recent History of Privatization of Education in Pennsylvania

THESIS SUPERVISOR: Dr. Scott Metzger

EDUCATIONAL EXPERIENCE:

Tamanend Middle School – Student Teacher (August 27th-December 6th, 2013)

- Taught five 8th grade United States history classes (four academic and one honors)
- Prepared and implemented a two-week unit on the American Revolution
- Assisted the 7th grade soccer coach in running practices and games throughout the fall season

School in Rose Valley Summer Camp – Nature Counselor (Summer 2013)

- Planned and led seven daily activities for campers ages 5 to 12 everyday for seven weeks
- Responsible for logging attendance, supervising lunch, and preparing the campers for their day

St. John's Catholic School – Pre-Student Teacher (Spring 2013)

- Observed social studies, civic, and world history classes for students in 5th to 8th grade for six weeks
- Formulated lesson plans and taught six official lessons in civics and world history

Volunteers in Public Schools – Tutor, Classroom Aide (2010-2011, Present)

- Worked as an aide in the classroom in the High School South in State College, Pa
- Tutored a fifth grade State College student throughout the 2010-2011 school year who needed assistance in math

Field Observations (Fall 2010, Spring 2011)

- Took two trips to observe a social studies class at Johnstown Area Middle School in Spring 2011
- Spent 80 hours observing teachers at the E.T. Richardson Middle School in Fall 2010 in Springfield, Pa

English 202 Honors Course – Tutor, Volunteer (Spring 2012)

- Spent over 40 hours tutoring adult learners who were returning to school and needed assistance in math
- Fundraised for Paws of Friendship which provides stuffed animals for children in foster care

Springfield Athletic Association - T-Ball Coach (2007-2009)

- Taught children the fundamentals of baseball
- Brought the equipment to the field every Saturday and organized team events such as pictures

LEADERSHIP EXPERIENCE:

Penn State Lion Ambassadors Committee Director, Membership (2011-Present)

- Responsible for giving tours of the campus to prospective and accepted students
- Head a committee that coordinates the major projects on campus and help organize the Penn State S-Zone
- Actively work with the alumni association during various events throughout the year

Penn State THON - Hospitality and Morale Committee Member (2009-2011)

- THON is the largest student run philanthropy in the world (raises money for families with kids with cancer)
- Provide support for a dancer, who is on her feet for 46 hours to symbolize each child's fight against cancer, and work on fundraisers throughout the year