

TESTIMONY OF ALBERT SHANKER  
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SENATE APPROPRIATIONS COMMITTEE  
SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES,  
EDUCATION AND RELATED AGENCIES  
JANUARY 25, 1994  
UNITED STATES SENATE

Mr. Chairman and Members of the Subcommittee:

I am Albert Shanker, president of the American Federation of Teachers, AFL-CIO, which represents 830,000 employees working at all levels of the education system, in state and local government and in health care. I appreciate the opportunity to contribute my perspectives to the subcommittee's examination of the role of private management companies in public education.

Your inquiry is a timely one. The notion that this type of management arrangement might be a way to make schools work better is generating a good deal of talk in the education field, and you have a few experiments in for-profit management just getting under way to look at. It's also hard not to get excited about the prospect that, for no money down and only pennies a week, we could raise kids' academic achievement to world-class levels, eliminate all the other social problems they bring to school every day and tame the bureaucracy. The question is: Is this a solid idea or another chase after a quick fix that will end in disappointment?

Injecting the profit motive into public school management is a concept that has not yet been subjected either to close economic analysis or to thoughtful public evaluation. There is no evidence either from the field of education or any other sector that private management, in and of itself, produces miracles or even decent results. As John Goodman and Gary Loveman said in the November-December 1991 Harvard Business Review, both public and private management can suffer from or produce poor services, high prices, bureaucratic paralysis and corruption. The big question is the same whether a service is provided by a public or a private agency: Are there mechanisms that make a provider accountable, that force it to provide what the public wants and needs?

I have been and am willing to entertain any idea, within the bounds of morality, to "reinvent" our public schools in order to

make them more effective, first and foremost, and efficient. So let me begin by telling you that I am not opposed in principle to the concept of contracting out certain kinds of work within the public education arena. The AFT is even on record with that position. Indeed, I can imagine ways in which private contracting could foster innovation and initiative in schools that would benefit kids. It seems to me quite possible, in theory at least, that hiring a very competent team of private managers to run all or parts of a large, complex school district could produce positive effects, both fiscal and organizational. For instance, if such an arrangement enabled us to concentrate resources on instructional purposes and curb the politicization of education, the schools might then be able to focus clearly on their academic mission. And that would be a very good thing, because making the academic mission of schools central again is the most important education reform the public can demand.

Let me take a minute to elaborate. School systems have been under enormous public and political pressure for more than a decade to raise standards of student achievement, but they still are a very long way from where we want them to be. I believe that our social, economic, and political well-being depends on raising the educational stakes significantly, increasing the expectations we have of schools and kids both. In fact, I have been making the argument for a very long time that no meaningful change will take place until we agree as a society on the importance of rigorous content standards, make our examination systems reflect those standards and base our accountability systems, both for schools and students, on achieving high standards. That is central to the operation of school systems in every other advanced industrial nation, most of which are more successful than ours. And now, after years of difficult national debate on these matters, this nation, too, is coming to acknowledge the need for and wisdom of reforming our education system along these lines.

I am not just raising the issue of standards because I miss

no opportunity to drive home my convictions about this reform. It is also because I believe the issue of standards is central to the topic of the management of public schools, whether we're talking about public or private management. Because without standards -- the most basic of accountability mechanisms -- there is absolutely no reason to believe that private management will be an improvement over public management; in fact, there is a lot of reason to believe it would be worse.

Since private management of schools is being touted as a solution to the problems we're experiencing with the public management of schools, it is useful to examine how public management now works and thereby consider the extent to which private management might work better and make for improved outcomes in education. As I said before in citing Goodman and Loveman, the big issue is not public versus private management; it is the standards according to which management operates and is held accountable.

By that standard, the public management of our schools does not leave us with a pretty picture: The way school boards work and the relationship between boards and school superintendents, particularly (but not exclusively) in large urban districts, defy reason. And the problem does not turn on elected versus appointed school boards or even on the quality of board members and superintendents; because we have no standards for what students should know and be able to do and because we have made our schools an all-purpose institution, the problem is evident whether boards are elected or appointed. I will illustrate it with reference to elected boards.

Again, because of our problem of standards and purpose, individuals who run for school boards can run on the basis of just about everything -- and do. This one wants condoms distributed in the schools; that one has read some article about a math program and wants it in all the schools; another one thinks music and art are costly frills; still another thinks merit pay would work; yet another wants open classrooms.... Each

candidate cares about something very deeply, and even those who have a broad view usually end up presenting a narrow message to the voters. In short, most candidates represent special interests, and for a variety of reasons, it's very easy for special-interest candidates to get elected.

Imagine, then, a school board in which every member has a unique special interest; it's very hard to get consensus. Boards also become politicized and contentious when members are elected to represent the interests of a particular neighborhood or a particular ethnic or racial group. And the fact that board members run as individuals discourages their working together. If somebody wants to get reelected, he's much more likely to build name recognition by dumping on the superintendent or opposing some measure that the rest of the board supports than by being a team player.

In an atmosphere like this, what's good for the students or the schools can end up taking second place. And few of the initiatives that are supposed to turn the schools around last long enough to succeed or fail before being replaced by new initiatives -- and the same goes for superintendents.

Today's superintendent is a lot like a traveling salesman. Selling the school board, with all the disparate interests of its often polarized members, on his merits is only the beginning; then he must sell himself to the central administrative bureaucracy, the parents, the city leadership, and so on. The successful candidate for superintendent gets billed as a miracle worker by his supporters, the majority. Naturally, miracles don't occur -- and even progress doesn't happen quickly. His initial opponents take advantage of the situation; his supporters may sour. He needs to come up with something new and dramatic, which at the very least buys him time. The new idea renews hope, but when there are disappointing results -- usually that's the case -- opposition intensifies. The school board balks, or some other part of the community balks; the superintendent walks or is let go, and the whole business starts again.

This is a ludicrous and wasteful way to manage and make policy for such large, important, and costly organizations as public school systems. It is extremely demoralizing and destabilizing for staff who must carry out policy and maintain continuity on a day to day basis, and it is destructive to children.

Is the only alternative private management of schools? No. We could reform the public management of schools. In fact, without substantial changes in public management, there is little chance we'll get anything but more of the same or worse from the private kind.

One worthwhile proposal to explore is having school boards elected as a slate instead of as individuals. And what if they had to run on a charter -- a detailed description of standards for students and long-term goals and strategies for the school district and how it planned to implement them? That's at least what Phillip Schlechty and Robert Cole propose in "Why Not Charter School Boards?" (American School Board Journal, November 1993), and it's a bold and sensible idea for shaping up education without incurring unacceptable risks or throwing away democratic control.

Under their plan, voters would know, for example, how a slate proposed to distribute resources among schools and what kind of control its school-based management plan would give to individual schools, as well as what schools it proposed closing. Since several slates would undoubtedly run, voters would be able to see various possibilities for their schools laid out and debated.

Voters would also know that each slate had already agreed on its priorities and policies and had ironed out potential conflicts. So there would be no need for members of a successful slate to waste time fighting and jockeying for position and trying to get themselves on the nightly news. The board's incentives would all be in the direction of being successful as a team, and they could jump right in and get to work putting their



plan into operation.

But even a school board that pulled together would need time to bring its plans to fruition. Schlechty and Cole propose that slates be elected for at least a four-year term and preferably longer -- perhaps as much as ten years. What would happen if a board was obviously failing to carry out its promises? Schlechty and Cole propose oversight by a governmental body and a recall mechanism so voters could get rid of a board in case of misconduct or misrepresentation.

This idea also suggests a framework of public accountability in which private management of schools could work; that is, a slate of individuals contending to become the school board could propose in its platform to enter into a contract with a private management firm (instead of a superintendent perhaps) to accomplish its goals or the firm could directly propose itself to the public through the same chartering mechanism.

Rather than paying a lot of money to a superintendent and expecting that person to perform miracles or tricks, the school board that chose a management firm under this concept would instead be buying a variety of administrative skills and services. Or the agreement could be between a firm and the voters directly through the voters' decision to charter that firm as its school board. Each of these and some other variations would in effect give a district real policy choices to debate, a clear and detailed plan and a genuine, rather than rhetorical, basis for accountability.

In short, the public would know where the schools were supposed to go, how they were going to get there, how progress would be measured, and how all this would be financed.

But let's turn now from the concept to the reality of what's going on out there with private management of schools.

First of all, no one in this room or in the education field should labor under the delusion that the people now proposing or beginning to do this kind of contracting in public school systems have any track record whatsoever in this line of work. (Some of

them do have track records in education administration, but they are far from exemplary.) Nor do the business organizations they have created for the purpose have any prior experience with the management ideas they are being hired by school boards to implement.

The fact is, this particular type of contracting hasn't been tried before in public schools. We know that the record of school districts' success in contracting out other pieces of the system -- food services, janitorial services, and transportation, for instance -- is very mixed; some programs have worked, others have ended in worse services and/or financial scandal. And the evidence we have about a close cousin to turning over the management of schools to private firms -- performance contracting -- all points to disaster. (See my attached columns from the early 1970's.) What's particularly alarming about this history is that, if anything, performance contracting had more accountability built in than the examples of private contracting we have today.

So those currently selling this service to districts cannot help us evaluate its merits by providing detailed descriptions and analyses of their firms' previous professional accomplishments. And communities being asked to accept this method of running their schools and using their tax dollars simply have to take claims of its educational and administrative benefits on faith.

Let's suppose, by way of comparison, that the scientists who created the exceptionally light and durable titanium alloys so useful in the aerospace industry came up with a cost-effective metallurgic technique that could curb the structural aging of school buildings. We would be intrigued to hear more about that idea, wouldn't we? We might say to ourselves:

-- The structural decline of older school buildings is a multibillion-dollar problem that grows worse with every passing year.



-- It's exciting that the people who developed a brilliant solution to problems of weight, tensile strength, and corrosion in metals have been able to make a creative application of that science to the preservation of school buildings.

-- If this technique really works and is affordable, it could greatly ease a financially and organizationally costly facet of operating a school system. Over time, savings could be redirected to educational needs.

My hypothetical scientists have exceptional expertise. If they say they have devised a cost-effective means of keeping aging school buildings sound, I have reasons -- evidence -- to believe that. Even though they've never tackled this kind of project before, I know they've been highly successful in working with substances' durability and suitability for conditions in which human life is in the balance. Even more important, since I'm not an expert in this, knowing that they have published the research data and ideas behind their project in peer-reviewed scientific journals and that other scientists find the work sound vastly increases my confidence. I can also see pretty clearly why a disintegrating infrastructure would be a costly and draining problem, and thus how valuable the anti-aging technique could be. I say it's worth costing out and testing, for sure.

But what exactly is the problem that for-profit management companies -- the two receiving the most attention are Whittle Communications' Edison Project and Education Alternatives Inc. -- are proposing to solve for school districts? And if you have an answer to that question, can you see pretty clearly that these particular organizations have special capabilities the job may require? Even if, like my scientists, they have never tackled such a problem before, can you see how their prior accomplishments might have equipped them to do so?

What do we know about The Edison Project? It is the brainchild of Christopher Whittle, the entrepreneur who made millions placing, with some interesting anti-competition ground rules, commercial advertising in doctors' offices and schools.

In 1992 he hired Benno C. Schmidt Jr., the president of Yale, to help plan and create the nation's first chain of for-profit private schools. Their dramatic promise for the estimated \$2.5 billion system was a tuition held to the average per-pupil cost of public education, but a boldly different approach to instruction that would produce both better educational results and profits.

Comparing his proposed schools to the existing public models, Mr. Whittle said: "We need a complete redesign of the way we teach our children. This means we cannot begin with the system we now have. When Edison invented electric illumination, he didn't tinker with candles to make them burn better. Instead he created something brilliantly new: the light bulb."

The light bulb has clicked on this year, but in its glow we see Mr. Whittle and Mr. Schmidt, holding candles. The Edison Project, they have concluded in an abrupt about-face, can best exert its creative influence on education by managing public schools for profit rather than leaving them to tinker in the dark.

The two Edison executives are accomplished individuals, but neither has professional experience in precollegiate teaching or education policy, school-system management, curriculum development, child development or educational technology, which was to be the hallmark of their private schools' curriculum. Their academic program exists thus far only on the drawing board. And since this is a proprietary firm, I suspect that when that program gets off the drawing board, the public will not be able to examine it. Would I pay them to lift the academic performance of a group of public schools? No. Would I pay them to streamline the structure or trim the cost of a school-district administration? No.

Should they have a chance to test their ideas? Sure, if it's not with public money. I think it would be useful for all of us if private supporters bankrolled the Edison Project to a test site where the parents of students agreed to and understood

the experiment. Ideally, this would be a city school with the range of students typical of a city school and a per-pupil cost equal to that of the public system. Then we could see over time how their curricular and organizational ideas operated in practice.

Turning to Education Alternatives Inc., the problem this for-profit firm is proposing to solve for school districts is how to raise low achievement levels of students on a schoolwide basis.

Raising student achievement is indeed an enormously serious issue for school-district, city, and union officials alike because low-achieving schools, particularly in inner cities, have become the primary reasons for and symbols of public dissatisfaction with education. So I and the AFT had more than an academic interest in the emergence of EAI, and we approached their entry onto the scene in an open and cooperative fashion. In fact, our local in Dade County, Florida, was instrumental in giving EAI its first public perch. The terms of EAI's hiring in Dade were far more responsible than the way they entered in Baltimore, but, still, we were initially open and cooperative in Baltimore, too.

The principals of Education Alternatives Inc. (EAI) -- John T. Golle, the chairman and chief executive officer, and David Bennett, the president -- hold some relevant credentials. Mr. Bennett was superintendent of schools in St. Paul and deputy superintendent in Milwaukee before joining EAI. Mr. Golle, an entrepreneur like Mr. Whittle, bought EAI from the Control Data Corporation in 1986. The company specializes in a computer-assisted instructional program with the trademark name Tesseract. To the best of my knowledge, and I have investigated this, that program and its results have never been presented at a professional conference or written up in a professional journal. This concerns me as an educator. I also consider it a moral problem: The Baltimore schools are public schools; they are

entrusted with children and the majority of those children have parents who are poor and poorly educated and thus in a poor position to be vigilant about education claims.

And there are other issues. By hiring the for-profit team, we could say that the Baltimore district has more than doubled its superintendency-level expertise. But neither Mr. Golle nor Mr. Bennett is on the ground in Baltimore. What about the fact that EAI schools now have computers? I do not belittle the accomplishment of getting significant numbers of computers, even outmoded ones, as has been alleged, into inner-city classrooms. But it's also true that if you gave me \$1,500 per pupil right now, within a couple of weeks I could put state-of-the-art machines on every desk and enough of America's cleverest educational software to keep kids entranced for a couple of years.

To be blunt, this is not rocket science. There are tens of thousands of public schools all over America that have computers, software, regular teachers teaching lessons with them, and staff technicians maintaining the equipment and helping teachers become more advanced practitioners of its instructional uses. What do they have that the Baltimore schools don't have? Not EAI, but affluence. And parents and school leaders sophisticated enough to demand that the educational system include these fundamental tools of the modern age in the school environment.

The other visible attributes of the EAI program's presence in nine Baltimore schools are fresh paint throughout each building and new landscaping on the outside. I appreciate a nice school environment and wonder why this school district and others let conditions deteriorate so badly. I also know that a decent environment makes parents, teachers, and kids happy. But promising happiness is not the same thing as raising student achievement. Should EAI earn a profit out of the school budget for the district's failure to keep up with the maintenance?

EAI is also reputed to be saving the school district money, and that's hard work that should be rewarded. But it is not

clear that EAI is saving Baltimore any money: The new computers belong to EAI and would have to be bought from them by the district or forfeited if the firm left. Even more important, the company has received not only a higher per-pupil instructional allotment than other Baltimore schools but more allotments than it has pupils. That's what city officials who want the money back are now saying, and my knowledge of how schools are funded and of arithmetic backs up their contention.

Nor is it clear exactly how the building improvements were paid for. And, of course, the evidence is not in on whether other initial "cost-saving" measures, such as displacing paraprofessionals with low-pay, no-benefits college interns and staff janitors with a subcontractor, will turn out to be a good idea educationally and fiscally. I do know that Baltimore's paraprofessionals, who we represent along with teachers, come from the community -- an important asset in working with kids and parents. Most have tasted poverty themselves, and are dedicated to helping the community's youngsters escape it. They have worked to attain the paraprofessional's duties and the modest but respectable salary and benefits that accompany them. Has the district considered the financial and symbolic costs of possibly plunging them into unemployment in order to maximize EAI's profits?

And finally, if EAI's earnings are based on both achieving cost-savings and raising achievement levels, shouldn't school officials -- prior to issuing any checks to EAI -- require specific measurements of performance validating that these goals have indeed been met? None of that is being done. Indeed, EAI has gotten its money up front and has pretty much set the terms of its own evaluation as boosters of academic performance. In my judgment, those terms are unacceptably vague. Moreover, the lack of independent evaluation is troubling and creates the appearance of conflict of interest.

The fact is that, in the year or so since EAI went public on the stock exchange, speculators have been trading the value of



the stock up briskly and profits are already being made -- before we have any idea whether a single child in a Baltimore EAI school is measurably better equipped to develop their minds and character than before.

So I think it is very important, as your subcommittee gathers information on this new form of enterprise, to gain a clear understanding from the principals of such ventures as to exactly how their personal profit is structured. If gains are being made through stock speculation, bearing no relation to the successful completion of the contractual work, the propriety of such an arrangement certainly may be questioned. On the other hand, a specialized contractor whose highest priority was to show school officials that his firm could achieve noteworthy gains in students' reading, writing, and reasoning abilities might well charter his firm as a private not-for-profit organization -- that would structure his and his employees' personal income quite differently.

As my comments indicate, I believe we have not yet adequately examined or understood the ramifications of these for-profit ventures. And I do not say that from the perspective that doing good and making money are inherently in conflict. I do not believe that. But I do believe that when the subject is a publicly funded institution, when that institution is public education, which has a grave responsibility for and to children -- our most vulnerable citizens -- and when that institution is so central to our democracy, especial vigilance is in order.

At the very least, it is the fiduciary responsibility of school districts to set very rigorous terms and conditions for the oversight and satisfactory performance of such contracts, as well as very specific terms for the financial quid pro quo with the contractors. And, putting on my entrepreneurial hat, I think it would be much healthier for school districts if the competitive field to choose from included more than one contractor. Uncompeted, sole-source awards are justified only by the extraordinary expertise of a potential contractor, a terrific



track record, and, often, an emergency. This test has not been met.

To complete my testimony, I wish to note for the record that the Baltimore Teachers Union, an AFT affiliate, has filed a legal complaint against Baltimore's mayor, city council, board of school commissioners, and superintendent of schools. The complaint charges that various employment, management, and purchasing practices permitted in connection with the EAI program violate city and state law.

Thank you for inviting me to express my views. I regret that I could not appear before you in person and would be happy to follow up on any questions my testimony may generate and to provide you with additional evidence for my views.