

Privatization

AN INDEPENDENT PUBLICATION OF THE MICHIGAN EDUCATION POLICY CENTER

MICHIGAN REPORT

**ANNUAL
EDUCATION
ISSUE**

**Private Educators
+ Freedom to Innovate
= Student Achievement**

**Economies of School:
Privatization and Small Districts**

**Charting a Course for Competition:
A Lesson from Arizona Charter Schools**

Privatizing Teacher Certification

Emerald Food Services a Local Gem

HOW TO

LOWER

EXPENSES



...the report contains the latest information...
...to be used by the state and local government...
...supply the state and local government...
...information for the state and local government...
...information for the state and local government...
...information for the state and local government...
...information for the state and local government...
...information for the state and local government...
...information for the state and local government...
...information for the state and local government...



A tyco INTERNATIONAL LTD. COMPANY

800-748-0199

5555 Glenwood Hills Parkway Southeast, Grand Rapids, Michigan 49512

Check out Michigan Privatization Report on-line at
www.mackinac.org/pubs/mpr

MICHIGAN PRIVATIZATION REPORT

- Editor:* David Bardallis
- Guest Managing Editor:* Paul Blott
- Assistant Editor:* Samuel Walker
- Graphic Designer:* Daniel Montgomery
- Circulation Manager:* Amy Kellogg

Michigan Privatization Report is published quarterly by the Mackinac Center for Public Policy, a nonprofit, nonpartisan, tax-exempt research and educational organization devoted to analyzing Michigan public policy issues. *Michigan Privatization Report* is distributed to state senators and representatives and policy staff; department directors and staff; municipal officials and administrators; school superintendents and school board members. Additional copies are sent to Michigan radio and television news directors, print news editors and select industry leaders. Total circulation is over 14,000. Copyright © 2001 by the Mackinac Center. All rights reserved. Permission to excerpt or reprint is hereby granted provided that *Michigan Privatization Report*, the author, and the Mackinac Center for Public Policy are properly cited, and a copy of excerpt or reprint is sent to the editor. Please contact the Mackinac Center for Public Policy at 140 West Main Street, P.O. Box 568, Midland, MI 48640; Phone: (989) 631-0900; Fax: (989) 631-0964; e-mail: mcpp@mackinac.org; or World Wide Web: <http://www.mackinac.org> if you wish to receive *Michigan Privatization Report*.

Privatization

A Quarterly Publication on Privatization Initiatives throughout the State • Mackinac Center for Public Policy • No. 2001-03 / Fall 2001

MICHIGAN REPORT

FEATURES

4 Economies of School: Privatization and Small Districts

Many small school districts believe privatization of food, transportation, janitorial, and other services is for larger school districts that can offer enough business to attract contractors. However, there are many ways smaller districts can privatize.

5 Charting a Course for Competition: Lessons from Arizona Charter Schools



Linda Gonzalez, a former Michigan teacher, left the state and founded Cambridge Academy, a charter school, in Mesa, Arizona. Her experience revealed how much less intrusive—and how much more successful—is Arizona's charter school law.

7 Privatizing Teacher Certification

A systematic teacher shortage is the



latest crisis in public education—yet, there is still widespread opposition to

an idea that might remove one of the major roadblocks to greater numbers in the teaching profession: privatized teacher certification or alternative certification.

8 Survey Says: Privatization Works in Michigan Schools

Privatization of school support functions can and is being done across Michigan. *Michigan Privatization Report's* survey of school district superintendents and business managers has yielded a bonanza of information.



11 Private Educators + Freedom to Innovate = Student Achievement

Students who don't do well in traditional schools are having their needs



met by an ever-expanding army of private institutions that cater to a wide variety of subjects and disabilities.

16 Contractor Profile: Emerald Food Services

Emerald Food Services has been serving Oakland County seniors and students since 1988. Based in Berkley, with commercial kitchens throughout Detroit's northern suburbs, Emerald serves and distributes thousands of meals a day.

DEPARTMENTS

13 AROUND THE STATE

An update of privatization initiatives, opportunities, and controversies from around the Great Lakes State.



ADVERTISERS:

Earth Tech	
Operation Services	2
Educlean Services	6
Privatization Watch	12



Feature

Economies of School: Privatization and Small Districts

By Paul J. Blott and Jeffery Ware

It should be a noncontroversial proposition that any school district that can save money through privatization, properly done, should do so. Indeed, districts have an obligation to students and to parents—who are also the taxpayers—to operate as efficiently as possible with the resources entrusted to them, while still delivering the highest possible educational quality.

Unfortunately, smaller school districts face a number of obstacles that make privatization of non-instructional services such as food, transportation, and janitorial service more difficult than it is for larger districts.

For example, the amount of business available at a small school may not offer enough profit potential to entice a contractor to operate there. Such is the case in the Johannesburg-Lewiston school district in northern Michigan, which has only 870 students whose families live in an extended area of 310 square miles. Because of the district's area, transportation is a constant concern of the district.

How can a district of Johannesburg-Lewiston's size attract the business to their district? What if it could somehow offer a contractor more business than just what the contractor would do in the district? This can be accomplished by consolidating transportation services with neighboring districts into a charter district, or by merging with a larger, contiguous district, such as Gaylord. This could easily develop into a "spoke-and-wheel" arrangement, in which a larger district like Gaylord serves as the center of the wheel, and smaller surrounding "spoke" districts, like Johannesburg-Lewiston, Atlanta, and Hillman, are able to benefit from consolidated privatization arrangements amenable both to schools and contractors. Another way to handle the transaction

would be for several smaller districts to appoint a panel to represent them in a consolidated privatization effort.

The contractors themselves would be motivated to come up with innovative solutions in order to stay in business. For instance, to deal with the problem of families living in remote areas, instead of sending a bus 30 miles or more and back to get two children to school, they might use minivans. This way, all the other kids on the bus wouldn't have to endure an hour-long ride to school everyday when their part of the route takes only 15 minutes. Another possible innovation would be to grant vouchers in the form of gas subsidies to parents, giving them the incentive to bring their children closer into the transportation service's route.

Another obstacle smaller school districts face when considering privatization of non-education-related services is political opposition from school employee unions. The experience of Arvon Township, a school district located in the northwest corner of the Upper Peninsula, is instructive in this regard.

In 2000, the five-member Arvon school board agreed to outsource all of the district's non-instructional services. These included transportation, food, and janitorial services for only 14 students. The board figured that it could save 32 percent of its annual budget for these services, which would have permitted

the school to allocate at least \$32,400 more for student classroom education—more than \$2,300 per student, per year.

Unfortunately, fear that other school districts might follow suit—and cut dues-paying union jobs—motivated the Michigan Education Association

to muscle the Arvon school board and prevent it from making the changes. The union packed meetings with its members and created an intimidating atmosphere that led one member of the school board—the member who initially proposed the privatization plan—to recant his vote in favor, which defeated the plan.

Small school districts are especially susceptible to political intimidation because their relations with the union

are personal, and because the community is easily swayed by accusations aimed at disrupting reasonable dialogue. The risk of losing community support is real and personal, and it can become extremely difficult for a district superintendent to keep his or her board members from abandoning ship under such circumstances.

As Johannesburg-Lewiston superintendent Hilgendorf told *MPR*, "The school is the community—yes, it's for the kids, but it's the community's kids. We can't forget that."

If jobs are lost, everyone feels the effects of that decision. It takes a tough administrator to withstand the pressure that can come to bear in a small town,

See "Small Districts" on page 6



Mackinac Center intern Jeffery Ware, left, and Superintendent James Hilgendorf discuss the various opportunities for privatization for the small district of Johannesburg-Lewiston.

"The school is the community—yes, it's for the kids, but it's the community's kids. We can't forget that."



Charting a Course for Competition: Lessons from Arizona Charter Schools

■ By Rebecca Steward

A recent *Christian Science Monitor* article featured one of the nation's most successful charter school stories, Cambridge Academy in Mesa, Ariz. The 88-student K-3 school not only has a link to Michigan, but also much to teach Michigan policy-makers about how to improve education through greater competition.

Michigan native Linda Gonzalez, Cambridge Academy's founder and principal, received both her bachelor and master's degrees in science in education from Michigan State University. One of her formative experiences at MSU was working in the university's reading clinic with children who have learning difficulties. This inspired her to become a first-grade teacher in Okemos.

Later, when she moved to Arizona, Gonzalez immediately noticed a less rigid, more innovative atmosphere in that state's public school system. Over time, she came to attribute this atmosphere to the more hands-off approach Arizona state government takes toward the operation and management of educational affairs. Consequently, competition—the hallmark of America's vibrant private-sector economy—was allowed to work its way through the system, with impressive results.

How does Arizona foster this competition? Arizona's relatively loose charter school law has helped it become the national leader in the number of charters. Michigan lags states such as Arizona in part because our state Legislature, in a compromise with charter school opponents, placed a "cap" of 150 on the number of charters that can be authorized by the institutions with the most incentive and least political resistance to do so: public universities.

(Michigan school districts can authorize as many charter schools as they please, but since they are essentially creating competition for themselves, most choose not to begin charters.) No charter "cap" exists in Arizona, and as a result, greater numbers of charters are providing competition for traditional public schools and the state's educational quality is improving accordingly.

with traditional public schools than are their counterparts in Michigan.

At Cambridge Academy, however, Gonzalez voluntarily chooses to require her teaching staff to be certified, and all Cambridge teachers hold degrees in elementary education. According to data from www.greatschools.net, an online guide to K-12 schools in California and Arizona, nearly a third of Cambridge's teachers hold master's degrees as well.

The results: Greatschools.net reports that in 2000, the average reading score for students at Cambridge reached the 90th percentile for reading scores statewide, and the average math score reached the 88th percentile in math. (Her school has proved so successful, in fact, that Gonzalez is opening another charter

school, Cambridge Academy East, in August 2002. This new charter will serve 308 students.)

Who could argue with such results? According to Gonzalez, public school boards resent charter schools because, in Arizona as in Michigan, state dollars follow the students. If a lot of students leave a traditional public school for a charter, it puts a very real dent in the traditional school's budget. But if real consequences did not follow the failure to attract and keep students, it is doubtful whether competition would be able to motivate schools toward excellence. "If you compete, you are held accountable," Gonzalez says.

Like Michigan's charter schools, Arizona's charters are not without See "Charter Schools" on page 10



Former Michigan teacher Linda Gonzalez's school has proved so successful that she is opening another charter school in August 2002.

This photograph first appeared in *The Christian Science Monitor*, online at csmonitor.com. Photo by Tracy Hayes.

Another competition-enhancing distinction between the two states' charter-school laws is in their respective certification requirements. The state of Michigan imposes the same onerous accreditation and certification rules upon traditional public and charter school teachers alike, whereas Arizona's charter school law does not require charter schoolteachers to undergo the cumbersome state-certification process. This enables charters to seek out many professionals who would love to teach but are put off by the expensive and time-consuming requirements for certification, requirements many reformers believe are unnecessary. Thus, Arizona charters are able to draw experienced teachers from diverse positions in business, nonprofit, and other sectors of the economy. This flexibility also helps Arizona charters be more competitive

No charter "cap" exists in Arizona, and as a result, greater numbers of charters are providing competition for traditional public schools and the state's educational quality is improving accordingly.



Feature

“*Small Districts*” continued from page 4

whose citizens may be more inclined to forego possible money savings for the sake of keeping a familiar face working with the children. In such cases, re-hiring the same person under the new plan may be the only way to defuse opposition.

And it takes a strong communicator to get across to people why it is in the best interest of a small school district to divert as much funding as possible to the classroom. The sad truth is that too many graduates of Michigan’s public schools are unprepared for college or the workforce. According to a study by the Mackinac Center for Public Policy, Michigan universities and businesses spend more than \$600 million annually to teach high school graduates basic skills they should have

learned in school. The study, “The Cost of Remedial Education: How Much Michigan Pays When Students Fail to Learn Basic Skills,” showed that Michigan businesses spend approximately \$40 million per year to teach their workers how to read, write, and perform basic math operations the school system has failed to inculcate.

The Detroit Free Press recently expressed a view of privatization that leaders of smaller school districts should consider: “Privatizing school support services is not an answer unto itself, but the district owes it to taxpayers and students to seek the most efficient blend of inside and outside operations. The important thing is ensuring that every possible dollar goes into classrooms and other activities that benefit children,

not into ensuring that the school district remains the jobs machine of first resort.”

MPRI

Central Michigan University student Paul Blott is a summer 2001 research intern with the Mackinac Center for Public Policy and guest managing editor of Michigan Privatization Report.

Jeffery Ware is a summer 2001 research intern with the Mackinac Center and a student at Hillsdale College in Hillsdale, Michigan.

CLEANING... FOR KIDS

We’re dedicated to maintaining a healthy academic environment for students. Allow us to design a housekeeping program specifically for your school.

One call to Educlean Services brings over 150 combined years of cleaning experience to your management team.

We’re nearby and hands-on...chances are that our regional offices are located just a short drive from your facility.



Flint • Detroit • Ann Arbor • Kalamazoo • Battle Creek • Grand Rapids
Saginaw • Lansing • Bay City • Marquette • Traverse City • Midland • Holland

800-632-1221



Privatizing Teacher Certification

■ By Jeffery Ware

Consider the following contradiction: A looming teacher shortage of catastrophic proportions has America's public education system frantic for a solution. In the next decade, nearly two million new teachers will be needed because of class-size reductions, teacher retirements, and enrollment increases. Yet resistance to the idea of privatizing or even loosening teacher certification—one of the main culprits in the teacher shortage—remains strong within the school system. Just one example: The bylaws of the American Association of Colleges for Teacher Education specifically prohibit for-profit membership.

In every state, prospective public school teachers must receive government approval before they can practice their profession. The degrees of regulation guiding teacher certification vary from state to state and often program to program. In Michigan, there are 32 different state-approved programs through which prospective educators can be licensed to teach. All of these impose time-consuming and costly demands on prospective teachers—demands that severely limit entry into the field of teaching, often keeping out the best and the brightest. This is particularly true for those wishing to make career changes.

Consider the process involved in earning the right to teach in secondary education through Saginaw Valley State University. An examination to prove that students have basic skills in reading, writing, and mathematics is just the beginning. Following that, students must endure eleven 15-week courses in education, serve 80 hours as an "observer" in a current instructor's school classroom, and put in another 14 weeks teaching under supervision. They must then take a Michigan Test for Teacher Certification in their subject area of expertise. This is usually

done as part of a degree program at Saginaw Valley. The process can easily take more than two years of full-time work.

Of course high standards are important, but is there a better way to get qualified teachers? The original purpose of the process was to ensure quality, but according to the U.S. Department of Education, 36 percent of public school teachers, or 972,000 out of 2.7 million nationwide, didn't major or minor in the core subjects they teach. Dr. Sam Peavey, professor emeritus at the University of Illinois,

is among many experts who argue that "after 50 years of research, we have found no significant correlation between the requirements for teacher certification and the quality of student achievement." In short: Certification doesn't necessarily result in qualification. Indeed, in many cases it may do the opposite.

What would be wrong with allowing working professionals who earnestly desire to teach but haven't the time to devote to endless pedagogical exercises of dubious value to enter the profession more easily? Fortunately, a number of states have begun opening up the teacher certification process. They are linking arms with private companies to address the looming teacher shortage.

The Sylvan Teacher Institute currently spends about \$1 million per year on a program that takes under-prepared or uncertified teachers and brings them up to speed, in partnership with local school districts. The state of Maryland is currently paying Sylvan to

certify teachers for schools in Prince Georges County and Baltimore, at a rate of \$6,500 per teacher. According



Dr. Robert Hanna is the Teacher Education Program Director at Hillsdale College. Hanna says, although the state requires elementary and high school teachers to be certified, college professors do not have the same requirement; they must simply be proficient in their field. The state may consider restructuring K-12 teacher certification requirements this way to allow more teachers into the field.

to officials in Baltimore, the results of the Sylvan program—which has been approved for school districts in Texas and Wisconsin—include higher retention rates, excellent teacher quality, and high ratings from principals. According to Jianping Shen, Western Michigan University assistant professor of educational leadership, teachers that enter the field through alternative certification programs are more likely to have degrees in math and science, two fields with chronic shortages of qualified instructors.

The for-profit University of Phoenix, which offers professionals a way to earn teacher certification while practicing their current professions, is expanding the number of states in which it can offer programs. The school has opened negotiations with both the American Association of Colleges for Teacher Education and the National Council for Accreditation of Teacher Education for membership. And Edison Schools, probably the best-

See "Certification" on page 10

In the next decade, nearly two million new teachers will be needed because of class-size reductions, teacher retirements, and enrollment increases.



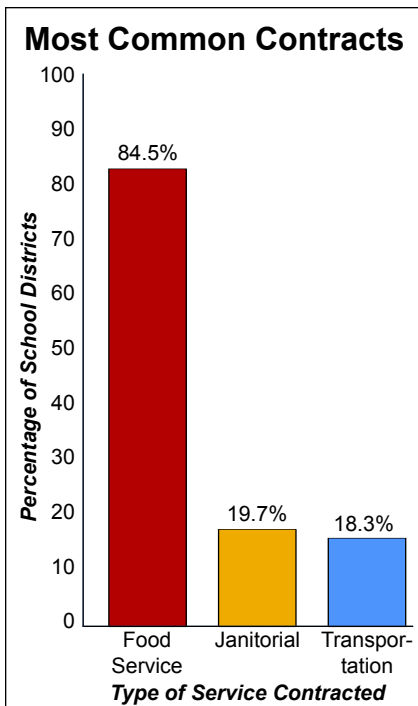
Feature

Survey Says: Privatization Works in Michigan Schools

■ By Michael LaFaive

Michigan Privatization Report's survey of school district superintendents and business managers has yielded a bonanza of information. Of the more than 500 Michigan school districts contacted between May and August of 2001, 228 have to date detailed their outsourcing experiences to *MPR*. Only a few districts refused to participate in our survey.

Survey results indicate that 31 percent of responding districts outsource one or more of three primary non-instructional services: food, busing, and janitorial services. An impressive



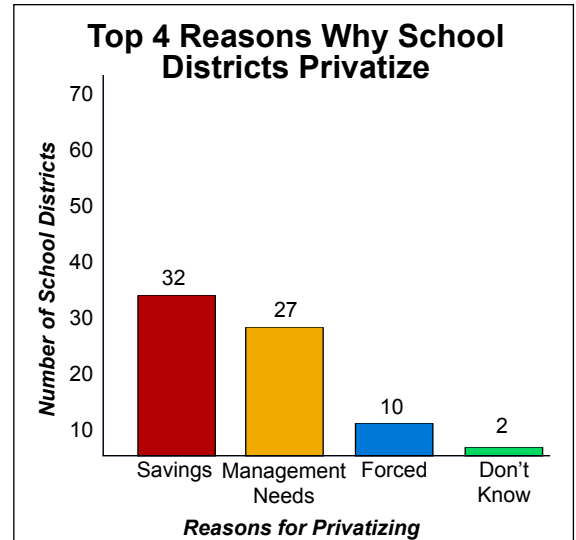
Of the 228 Michigan school districts responding to the survey, 71 reported outsourcing at least one of the major noninstructional services. Outsourcing food services proved to be the most popular vehicle for saving money and improving services.

26.3 percent of responding districts outsource either management of their food program or the entire program itself. Janitorial services are contracted

for in 6.1 percent of the responding districts and busing accounted for 5.7 percent. Only the Detroit Public Schools reported outsourcing all three services to some degree. Detroit officials also volunteered that the district was outsourcing for maintenance of buildings and grounds as well as information technology services.

According to American School & University magazine's popular annual survey of privatization and contracting in American schools, 23.3 percent of districts across the nation outsource for food services, which is 3 percent less than in Michigan. But districts in other states tend to contract out more for other important areas of non-instructional services, such as janitorial and busing. Nationwide, 15 percent and 30 percent of school districts contracted for these functions, respectively.

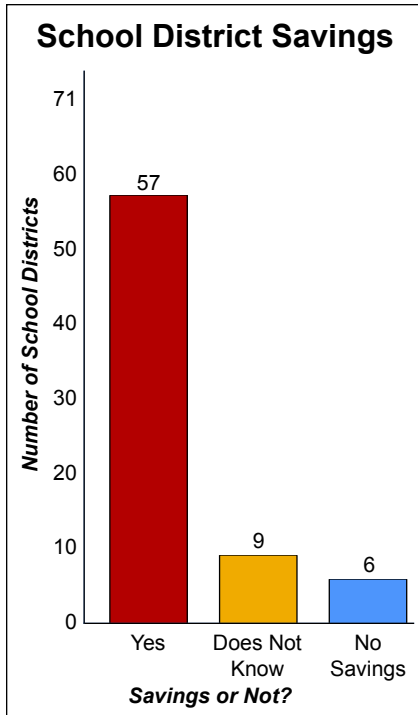
According to American School & University, nationwide, "districts with enrollments of more than 2,500 are more likely than small institutions to privatize services." In Michigan, the opposite is true. Of those school districts outsourcing food, janitorial, or busing services, a whopping 67 percent have fewer than 2,500 enrolled students. This is an extraordinary figure given the natural inclination of successful companies to seek out large districts in order to take advantage of economies of scale. *Michigan Privatization Report* has long heard complaints from superintendents in small districts about the difficulty of finding vendors to service their non-instructional needs. (For more on outsourcing in small districts, see "Economies of School," on page 4.)



Saving money proved to be the most likely reason a district outsources services. The needs of the district to relieve itself of certain management duties was a close second. Ten district officials insisted that their reason for privatization fit neither into a "savings" nor "management" category, but felt that outsourcing services remained an absolutely necessary action. Two district officials told *MPR* that their districts had been outsourcing for so long that no one new the initial reason for turning to a private company for business services.

There is plenty of anecdotal evidence suggesting that small districts are quite capable of outsourcing services. The experiences of our staff, and new contacts made through this survey, suggest that small districts can and do outsource for non-instructional services. For instance, Arvon and Marenisco school districts in the Upper Peninsula have a combined 120 enrolled students, yet they manage to outsource busing and janitorial and food services, respectively. While Arvon has not outsourced food services yet, it is the district's intention to do so. These districts prove that finding vendors to service small institutions is far from impossible.

Arvon is an interesting privatization case-in-point. It has only 10 registered students for the 2001-2002 school year. Last year, Arvon operated on a \$260,000 annual budget, 38 percent of which was being eaten up by food, transportation, and janitorial services. In an attempt to get more money into the



Of the 71 school districts that reported outsourcing, 57 said that it had saved them money. Unfortunately, 9 did not know if it had or not. Obtaining pre-outsourcing cost data is vital to analyzing the success or failure of privatization initiatives.

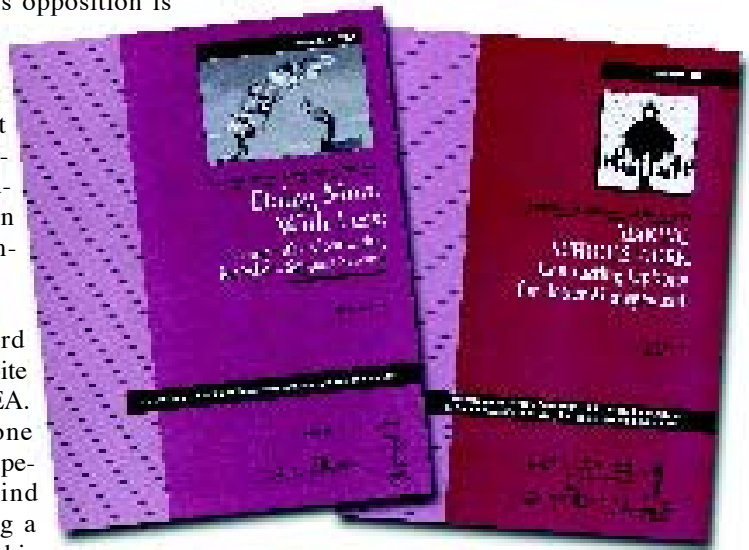
classroom last year the board proposed a “School Excellence Plan” for contracting out these services. The resulting savings would have been used to fund a new \$20,000 science, music, art, foreign language, and technology program. Unfortunately, the privatization hurdle faced by this tiny district was not economies of scale, but the Michigan Education Association (MEA).

The Michigan Education Association is the state’s largest union of janitors, cooks, bus drivers, and teachers. In 1993 the MEA made it plain where it stands on the issue of privatization in an internal document known as “Parameters.” It unequivocally opposes “any privatization of public school functions.” True to its word, the MEA fought hard to defeat Arvon’s attempt to outsource services. “The union did everything it could to prevent us

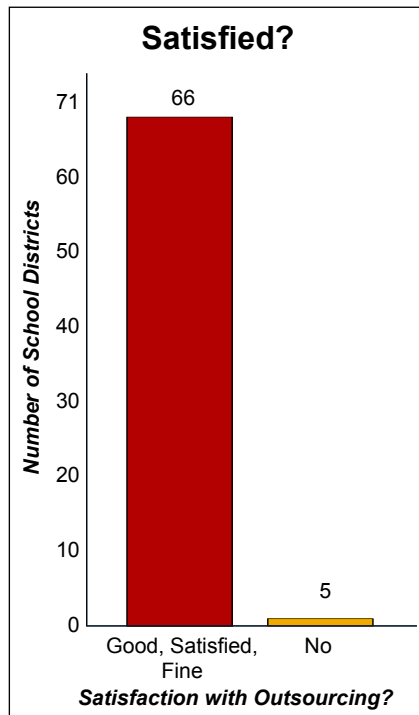
from going through with the School Excellence Plan,” said Mary Rogala, board president. This opposition is ironic given the fact that the MEA has contracted out at its own headquarters in East Lansing for food, janitorial, mail, and security services—and in three cases with non-union labor.

The Arvon board approved the plan despite opposition from the MEA. Unfortunately, one member then called a special meeting to rescind his yes vote following a series of threats against his person and his business. The member subsequently resigned from the board. Since then a special election has been held to fill

the vacancy left by his resignation, and the MEA-backed candidate lost.



The Mackinac Center has published two guides for helping school districts outsource. *Doing More with Less: Competitive Contracting for School Support Services* and *Making Schools Work: Contracting for Better Management* are available to superintendents, business managers, and school board members free of charge. Call 989-631-0900 for your copy today.



An impressive 93 percent of school districts that privatized are happy with the services being provided by the private, for-profit vendor.

This led Arvon to address outsourcing again—and they have, quite successfully.

Privatization of school support functions can and is being done across Michigan in every size school district, as our survey suggests. MPRI

Michael LaFaive is managing editor of Michigan Privatization Report.



Feature

“Charter Schools” continued from page 5

their problems. What makes success difficult in both states is the lack of support by public officials and others who feel threatened by a movement that has the potential to force real reforms on a sluggish school system—reforms that system has been reluctant to make during the past several decades of dissatisfaction with educational quality.

Linda Gonzalez says she is able to succeed because she has the freedom to accomplish her goals. Although the process is slow, the

children of Arizona are beginning to reap the benefits that come when government resists the urge to micromanage local affairs and instead places responsibility back where it belongs—in the hands of parents and educators.

None of this is to say that Michigan students are not benefiting from charter schools, too. Over 150 charter schools throughout Michigan now offer tens of thousands of children an alternative to traditional public schools. Whether this relatively limited amount of competition will lead ultimately to the kind of

improvement being observed in Arizona may depend on our lawmakers’ willingness to take a second, more critical look at the role of government in education.

Rebecca Steward is a graduate student in public administration at Central Michigan University.

“Certification” continued from page 7

known for-profit manager of public schools in America, is planning to open Edison Teacher Colleges across the United States and online as early as 2002.

Is Michigan open to the idea of relaxing tight requirements and allowing these and other companies to prepare teachers? It’s hard to tell. In 1993, the state board of education showed a glimmer of openness, when it adopted an alternative certification program. Known as the Michigan Alternative Routes to Teacher Certification program, it does reduce the amount of time prospective teachers must invest in becoming a teacher, but not by much. Indeed, this program still takes 12 to 18 months to complete—even as a full-time alternative student.

Another glimmer of hope: The Michigan House Education Committee recently approved legislation that would allow local school leaders to decide whether a person is qualified to teach. If approved, such a move from state to local control could allow inroads to be made on both the requirements for certification as well as on who prepares prospective teachers.

Opponents of alternative routes to teaching commonly argue that this hurts accountability. But under the current system, an incompetent teacher is terminated with extreme difficulty—or even not at all. Under a system in which accountability for certification has shifted from the state government in Lansing to the schools themselves and the school boards, concerned parents would be able to have an impact when they discover their child is being ill served.

Principals should be able to advertise for, interview, and hire people that are capable of transmitting knowledge successfully. Indeed, principals would probably work harder to guarantee that their teachers are qualified, knowing that the state has removed itself from the process. And they could be held directly responsible for results.

Under a system of private certification, private for- and non-profit groups would compete to provide the best teachers to schools. Over time, the best would rise by reputation. One certification group might require a minimum of a bachelor’s degree and 10 hours of lecture training to earn its seal of approval. Another might demand a master’s degree, or any other

imaginable combination of real-world experience and classroom training. Schools could then interview prospective educators and know, based on which private certification has been earned, the precise nature of the applicant’s training, and hire—or not—accordingly.

For decades now, too many in the public school system have tried to ignore ever-lower student achievement and poor quality teachers. But over time, when a problem is ignored, other stickier problems arise, caused by the first problem, until people are forced to do something about it. Over time, aspiring professionals began to disdain a career in which excellence is no longer honored. Now we have a shortage of teachers, and the major obstacle to a solution is what many are calling a “mediocrity requirement.”

Perhaps it’s time to let the private sector help decide what an excellent teacher is.

Jeffery Ware is a summer 2001 research intern with the Mackinac Center for Public Policy and a student at Hillsdale College.

The Michigan House Education Committee recently approved legislation that would allow local school leaders to decide whether a person is qualified to teach.



Private Educators + Freedom to Innovate = Student Achievement

■ By Joanna De Pree

Too often, parents of students who are having trouble coping with traditional school environments or teaching methods believe the public sector is the only place where they can get help.

But that is not the case. In fact, a wide variety of private, for-profit teaching establishments offer help in subjects ranging from basic reading and math to writing, ACT/SAT preparation, and study skills. Three centers in the mid-Michigan area alone offer such services: the Ounce of Prevention Reading Center in Flushing, the Kumon Center in Mt. Pleasant, and the Sylvan Learning Center in Saginaw. Two of the centers specialize in particular subjects, while Sylvan covers a variety of areas. The goal of all three centers is to help students who have learning disabilities or have struggled in traditional education programs.

The Ounce of Prevention Reading Center was founded by Nora Chahbazi, now the owner and primary instructor of the center, following years of success teaching her daughter and friends' children how to read. Chahbazi employs a new reading method called "Phono-Graphix" to teach her students. She discovered Phono-Graphix in the book "Why Our Children Can't Read" by Diane McGuinness, a professor of psychology at the University of South Florida.

Phono-Graphix, says Chahbazi, is the antithesis of traditional methods of reading instruction, which teach students symbols (letters) and the corre-

sponding sounds and emphasize spelling rules and memorization. Phono-Graphix operates in reverse, building off of what students already know about sounds and speech. Phono-Graphix students are taught that the sounds they know can be represented in print by "sound pictures," or letter combinations. Ounce of Prevention not only teaches this method to its own students, but also



Private, for-profit learning centers are growing in popularity for their ability to teach reading and mathematics outside the traditional classroom. Worldwide, more than 2.5 million students get instruction through Kumon Centers, which specialize in mathematics instruction. There are 40 Kumon Centers in suburban Detroit and other large cities in Michigan.

works closely with local teachers to provide remedial services for students who need them. Parents and teachers learn the Phono-Graphix method so that they, in turn, can use it to teach other children to read.

"Studies have shown that almost all children instructed in Phono-Graphix—students who struggled with traditional reading methods—achieved their grade level or better in just 12 hours," Chahbazi says.

She hopes to expose teachers across the state to the Phono-Graphix method so that all children struggling with reading can receive help.

The Kumon Center in Mt. Pleasant focuses on math. Gene and Susan Kushion, who run the center, are experienced public school math teachers who were impressed by the Kumon program's effectiveness in improving their daughter's math skills. Kumon Centers are an import from Japan and are springing up across the United States and Canada. According to a Kumon newsletter, "Kumon New Quest," 2.5 million students are enrolled worldwide, including 75,000 in the United States and over 30,000 in Canada. Michigan already has 40 Kumon Centers concentrated in suburban Detroit and larger cities throughout the state.

The goal of Kumon is to make learning a student-driven activity, and to put the responsibility on the student, not on the teacher. It is common to see students faltering in math, after a year or

more working with a Kumon Center, achieve mastery at one or two grade levels above their current grade. Those who choose to can follow the program all the way beyond differential and integral calculus.

According to literature from the international Kumon Institute, "Decades of experience with hundreds of thousands of students have shown that learning occurs most efficiently when two criteria are met: 1) The level of the material to be learned corresponds exactly to the learner's level of ability, and 2) the rate of progress is controlled by the students, not the teacher." Using

See "Achievement" on next page

A wide variety of private, for-profit teaching establishments offer help in subjects ranging from basic reading and math to writing, ACT/SAT preparation, and study skills.



Feature

“Achievement” continued from page 11

these criteria, Kumon is able to turn problem math students into motivated, self-starting, quick learners.

The Sylvan Learning Center in Saginaw attempts to create confident, independent students by discovering and targeting the causes of academic frustrations. When students arrive at the center they are given a comprehensive skills assessment exam to determine areas of weakness. Next, a personalized curriculum is created for each student that addresses the underlying issues in an attempt to eliminate them. Students are taught how to check their own work and learn independently. The exact length of each child’s program depends on specific academic needs uncovered in the skills assessment. At Sylvan, programs typically range from 50-100 hours of instruction. On average, each student receives 2-4 hours of instruction per week.

Sylvan Learning Centers—of which there are 900 worldwide—teach students on a wide variety of subjects through a teaching method they call “Mastery Learning.” Students are required to prove that they have “mastered” a concept or skill by using it 3 to 5 times, with 80-100 percent accuracy. When a student demonstrates this level of proficiency, he or she can progress to the next skill. Students are periodically re-tested on skills in order to ensure retention.

Sylvan encourages students in their studies by providing motivational incentives. These incentives come in many forms: personal praise and verbal reinforcement from the instructors, personalized certificates, or gift tokens to be spent later. The individualized attention every student receives is possible because of a 3:1 student-teacher ratio.

Sylvan claims that 8 out of 10 of its students improve one grade-level equivalent in reading or math by their first progress check. After 20 years in the business, Sylvan is confident it can help any child get ahead in its “Basic Math” or “Academic Reading” programs. In fact, Sylvan promises parents joining the program, “Your child will improve at least one full grade-level equivalent in reading skills or basic math skills after 36 hours of instruction, or we’ll provide 12 additional hours at no further cost to you.”

These three private education centers are helping children, no matter where they go to school, to succeed in academics where they would have otherwise failed. Because they are private, they are free to experiment until they find what works. And they’re achieving measurable improvement where traditional schools have failed.

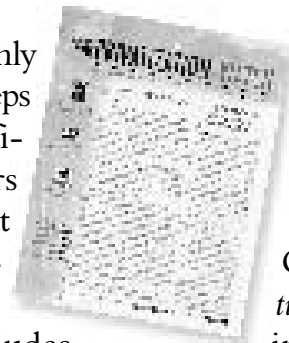
MPPI

Joanna De Pree is a summer 2001 research intern with the Mackinac Center for Public Policy and a student at Hillsdale College in Michigan.

Sylvan claims that 8 out of 10 of its students improve one grade-level equivalent in reading or math by their first progress check.

Taking the Pulse of Privatization Privatization Watch

A fact-filled monthly newsletter that keeps government officials and others informed about the latest developments in privatization. It includes latest trends, how-to tips and best practices, and breaking news.



Relying on the data, sources, and expertise of the world-renowned RPPi Privatization Center, *Privatization Watch* provides insightful analysis on a broad spectrum of privatization policy areas.

Order *Privatization Watch* Today. One year (12 issues) is \$135 for private business or \$75 for governments and nonprofits. Call or visit our website to order or for more information.

(310) 391.2245
www.rppi.org/privwatch.html



New Contract Chosen over Privatization

OAK PARK— The Oak Park Board of Education recently voted in favor of another one-year contract for 40 union custodians following rumors that Superintendent Alexander Bailey might turn to the private sector for replacements. But union members' relief will last only a year. Bailey says once the contract expires, the district will review the custodians' performance and may reconsider privatization.

Last year, the rumors of outsourcing turned to fear during contract negotiations when Bailey announced that bids were being sought for the job. Union members gathered to protest the move at a recent board meeting, and Bailey made a case for his contention that custodial services in the district had become unsatisfactory. However, Bailey told those assembled that only custodial management would be privatized this year.

He kept his promise. Bids are currently being accepted only for custodial management, although Bailey says the structure of the department will be up to whatever company is chosen.

Union spokesman Michael Landsiedel admitted to the Daily Tribune that the department does lack leadership and said the union does not oppose subcontracting out managers. "We didn't really have a boss. Our people have been doing what they know how to do without any supervision."

Michigan's Public Act 112 gives school districts the ability to outsource services without union approval and makes it against the law for union contracts to prevent such action.

Detroit Unions Protest Privatization

DETROIT—On June 12, Detroit Public School employees and their supporters gathered outside of the Schools Center Building on Woodward Avenue to protest the loss of jobs through privatization.

Styling their demonstration along the lines of a New Orleans funeral service, complete with musical accompaniment by the Marcus Belgrave Band, protesters read letters of support from U.S. Rep. David Bonior and state Sen. Gary Peters, D-Bloomfield Township. Michigan Attorney General Jennifer Granholm gave in-person support.

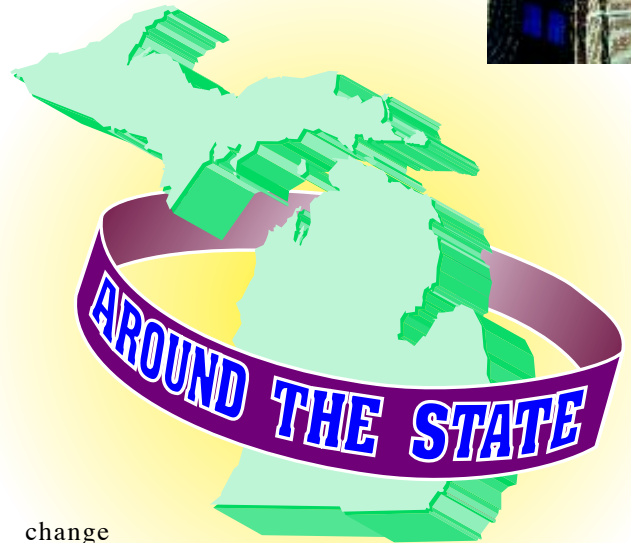
Outsourcing has been an issue in Detroit schools since David Adamany, the previous interim schools chief, announced he would be seeking bids for non-instructional services in order to focus more of the city's education budget on the classroom.

Workers, however, protested for fear of losing their jobs. Although private companies taking over such duties commonly hire many of the workers employed by the public entity, union representative Diann Woodard claimed 3,000 jobs could be lost due to privatization.

Detroit Departments Look to Upgrade Their Image via Web Outsourcing

DETROIT—Vision IT, a web designing company, has been contracted through the city of Detroit's Information Technology Services Department to create web sites for certain Detroit departments within the city government, as well as to redesign some of the more outdated sites. The project will begin with the web sites of the Detroit Cable Commission and the Human Rights Department. This will be the Cable Commission's first web site and will display programming schedules of channels 10 and 22, as well as other information pertaining to the cable service, including live video of City Council meetings and other such events.

Vision IT President David Segura told the Detroit Free Press that over the next year he expects contracts will add up to over \$1 million. Segura went on to say that Vision IT's involvement in the web designs can help



change the negative image that shadows the city of Detroit.

Comstock Park Receives a New Deal

COMSTOCK PARK—Comstock Park school officials are struggling to close a budget deficit that resulted when they based their 2000-2001 budget on expected enrollment growth. When enrollment unexpectedly fell 141 students short of projections, the district came up almost \$700,000 short in payments from the state.

The school district's budget committee, created by Superintendent Roger Kropf, has spent 500 hours reviewing potential budget cuts and has come up with a list of possibilities, including cutting eight first- and second-year teaching positions, for a savings of \$384,000.

A board meeting was held on May 14 to further discuss the budget and for the board to receive feedback from the budget committee and principals. Representatives of the Mackinac Center for Public Policy were in attendance and unofficially proposed a plan that would save the district at least \$500,000 the first full fiscal year of the plan's enactment.

The plan would eliminate unnecessary overhead costs by outsourcing the school's non-instructional services

Continued on next page

Michigan's Public Act 112 gives school districts the ability to outsource services without union approval and makes it against the law for union contracts to prevent such action.



such as transportation, food, and janitorial services. If the plan maintained the same or better quality services and yet failed to bring in at least \$500,000, the Mackinac Center would pay the difference between that amount and the money actually saved.

The Mackinac Center is currently drafting an official proposal and reviewing the district's information in order to create an effective plan. The Center has made it clear that it will start working with the district immediately to resolve the budget crisis, but has received no response from school officials.

Detroit's Power Disaster Could See the Light of Privatization

DETROIT—TXU, Texas Utilities, is discussing a possible arrangement with Detroit's Department of Public Lighting to run the troubled utility.

One of the world's largest energy companies, TXU has a myriad of domestic and international partnerships with hotel chains, companies, government entities, and school districts. However, the company has yet to sign an arrangement with any U.S. city's power operations.

The arrangement, if accepted, could involve anything from supplying all electrical power to the city to merely providing and maintaining some or all of the equipment. But so far, no details of any plan have been released.

Without the deal, the city will be forced to spend \$2.3 million for two more power lines as well as \$63.8 million on new generators. The cost of the new generators will equal the Public Lighting Department's entire yearly budget. Mayor Dennis Archer has delayed the purchase of the generators in an effort to give possible investors time to offer a proposal.

Company officials are waiting to hear from Public Lighting Director Mark Petty, as the city reviews the TXU proposal.

Detroit Schools Privatize Food Service Management

DETROIT—Detroit Public Schools has hired Aramark-Gourmet, a private business, to handle the management of its food services. The plan to outsource managers will affect 97 workers, including food service supervisors, secretaries, and accountants. The district plans to sign a one-year, \$26-million contract that can be renewed for four years. The 97 employees affected by the deal can continue to work for the Detroit schools if they apply with Aramark-Gourmet.

Union officials are angry about the deal, despite the fact that the district stopped far short of privatizing all food service. They have submitted their own proposal, outlining how they could run the department more effectively. However, the school's chief executive Kenneth Burnley believes the Aramark-Gourmet deal is better for the schools.

Burnley and the Detroit schools have recently outsourced other services as well. United Parcel Service drivers have been hired to deliver standardized tests, while a \$7-million contract with various other private companies has been signed to perform landscaping, lawn mowing, weed-control, and trash pick-up duties at the school.

The Aramark-Gourmet deal is expected to stem the tide of food service revenue losses due to large numbers of students leaving the district. Burnley has expressed his hope that the food service department will become self-sufficient within the next few years.

Flint Turns to Privatization as State Threatens Takeover

FLINT—In order to cut about \$16 million from the city's 2001-02 budget and avert a state takeover, Flint's city council has voted to close the city jail

and fire station and cut 86 positions from the police and fire departments. The city is also going to privatize four city services, including waste collection and city golf courses; rotate the closing of four recreation centers; and close two swimming pools.

The Michigan Treasury Department threatened to intervene if the city could not pass a budget by June 30. The threat came after a failed attempt to approve a budget during a special session two days earlier. The cuts will take effect during a transition phase lasting anywhere from 90 days to six months. City Administrator Darnell Earley said that he expects the city council to alter more aspects of Mayor Woodrow Stanley's budget plan, which showed \$68.5 million in revenue and \$66.5 million in expenditures.

The council's other budget amendments include eliminating the Human Services Department and the positions of budget director, city ombudsman, and the mayor's constituent director. It would also reduce funding for the city's

information service hotline and eliminate the fire prevention bureau, which would be incorporated into another department.

Editor's Note: Michigan Privatization Report has covered Flint's budget issues in the past. See "Is There Gold in Garbage?" in our summer 1999 issue.



Bill Would Allow More Flexibility in Teacher Hiring

LANSING—Michigan's House Education Committee recently approved a bill that would allow the state school superintendent to grant waivers to schools or school districts that wish to opt out of the federal rule requiring them to hire only state-certified teachers.

Under the legislation, schools

Flint's city council has voted to close the city jail and fire station and cut 86 positions from the police and fire departments.



and school districts would not be able to request a waiver until their proposal received at least one public hearing and was approved by the local school board. The state superintendent would then have 60 days to decide whether or not to grant the waiver. The waiver would go into effect automatically if there were no decision by that time. Schools would be re-evaluated by the superintendent after five years to determine whether the waiver contract should be renewed.

Many reformers have criticized Michigan's stringent teacher certification requirements for dissuading well qualified individuals from stepping into the classroom to impart knowledge gained from success in the private sector.

Detroit Metro Airport: Will Privatization Take Flight?

DETROIT—In a recent editorial, The Detroit News proposed privatization as a viable solution to the “cronyism” and “contract irregularities” at Detroit Metro Airport. The newspaper said that the main short-term goal is to lift Metro Airport out of Wayne County politics by giving a watchdog committee significant input into airport policy. The committee would be more than an advisory group, especially concerning contracts and spending.

Sen. Glenn Steil, R-Grand Rapids, recently told The News that a second airport authority should be established—appointed by the state, county, and others the Legislature deemed appropriate—to own and operate the airport. Steil said he is not opposed to privatizing the airport, but that he doesn't think the political climate is amenable to the change.

The News cited Indianapolis, where privatization has lifted the city into one of the top 10 improved cities in the United States, as well as Denmark and Austria as locations where privatization of airports has been extremely successful.

Should Camp Dearborn be Camp Metro Detroit?

DEARBORN—Camp Dearborn is a city-subsidized camping and recreational retreat created in the 1940s as a getaway spot for citizens of Dearborn. Today, only about 30 percent of the people who visit Camp Dearborn are Dearborn citizens. It is for this reason that Dearborn City Council candidate Susan Moore wants to sell the 626-acre facility, located in Milford.

“Dearborn dollars should be used for Dearborn citizens,” Moore told the Detroit Free Press. She calculates that the city could net \$60 million by selling the retreat. Dearborn currently spends \$500,000 annually on the camp.

However, Moore's idea has received a cool reception from City Hall and the council. Moore was recently interrupted by council members and

booed by “camp supporters” when she tried to raise the issue at a public meeting.

Dearborn law states that the sale of any city property five miles or more outside city limits can only be approved by a vote of the people. MPRI

A Detroit News editorial proposed privatization as a viable solution to the “cronyism” and “contract irregularities” at Detroit Metro Airport.

PALM IIIxE WINNER! RICK FARFSING

Michigan Privatization Report recently conducted a survey of readers employed as school district employees or school board members to obtain their opinions on how *MPRI* might be improved. As promised, a response was chosen at random and a prize awarded to Rick Farfsing, superintendent of Onaway Area Schools. Congratulations, Rick, on winning your Palm IIIxe electronic organizer, and thanks to all of our friends who participated in the survey!

Privatization MICHIGAN
REPORT



Feature

Emerald Food Services a Local Gem

■ **By Paul J. Blott**

In 1987, Oakland County entrepreneur Kim Haveranek had an idea. She believed she could improve the quality of the Meals on Wheels program, which delivers hot meals to homebound senior citizens, and run it more efficiently than ever before.

Thus was her private firm, Berkeley-based Emerald Food Services,



Kim Haveranek's company has been serving the Oakland County community with a variety of food service needs since 1988.

born. Today, Emerald serves delicious meals everywhere from senior-assisted living centers to private schools throughout Oakland County cities including Southfield, Beverly Hills, Birmingham, Oak Park, Royal Oak Township, Berkeley, Troy, and Keego Harbor.

Success didn't come automatically for Haveranek. The county initially awarded her the Meals on Wheels contract in 1987 only to revoke it shortly thereafter due to a state law that prohibited more than one such

contract in a county, and Oakland was already contracting with another firm for a similar service.

Undeterred, Haveranek and other interested parties campaigned against the law for two years and finally convinced enough politicians, as well as a number of administrative law courts, that the law should be revised so she could be allowed a chance to improve Oakland County's Meals on Wheels program.

Haveranek was again awarded a contract in 1988. Since then, Emerald has become one of Oakland County's primary suppliers of food services, expanding into Oakland County private schools, adult day-care centers, and banquet facilities. The company's 30 employees now operate out of 20 locations, serving 2,000 customers each day.

For Haveranek, customer service is the name of the game. And her dedication to it shows in the fact that Emerald so far enjoys a 100-percent contract renewal rate.

How is Emerald able to run so efficiently while earning the confidence of so many clients? According to Haveranek, one of the methods that Emerald uses to provide the most efficient food service to its private contracts

is to guarantee profits up-front, based on sales. Whereas most companies bill the cost of labor and supplies, plus a management fee, Emerald absorbs the risk and guarantees a fixed price, sticking to it regardless of company costs. Haveranek has also created and trademarked her own sophisticated software package, called Opus®, to help Emerald employees smoothly and efficiently administer their programs.

While Emerald has had to deal with the usual controversy that greets private companies entering public territory, this hasn't dimmed the company's enthusiasm. In fact, the higher level of scrutiny has forced Emerald to make that much more certain that it provides the highest standards in food quality and the most for its customers' dollars.

As Haveranek says, "We take nothing for granted; we assume all problems can be solved and we always follow through." MPBI

Central Michigan University student Paul J. Blott is a summer 2001 research intern with the Mackinac Center for Public Policy and guest managing editor of Michigan Privatization Report.

MACKINAC CENTER
FOR PUBLIC POLICY
140 West Main Street • P.O. Box 568 • Midland, Michigan 48640

NON PROFIT ORG.
U.S. POSTAGE
PAID
MIDLAND, MI 48640
PERMIT #275