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Parents Advocating School Accountability
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Paper Hints Governor Wanted to Give Edison Philly Schools to Pump Up Company's Stock Price

The Philadelphia Daily News, in an unsigned editorial, has implied that Pennsylvania Gov. Mark Schweiker called for turning Philadelphia schools over to controversial, for-profit Edison Schools to manage because he hoped to help Edison's stock price increase.

A portion of the April 22 Daily News editorial about Philadelphia's school reform effort read: "News that Edison's stock prices fell because it didn't get more schools to manage appeared the same day as Schweiker's call for Edison to get more schools to manage. Coincidence?"

Philadelphia's School Reform Commission (SRC) announced on April 17 that Edison will manage 20 Philadelphia schools. Edison had originally hoped to take over the entire Philadelphia district administration, along with dozens of schools, with Schweiker's enthusiastic backing.

The Daily News reported on April 19, "Schweiker has called for the School Reform Commission to hand over 18 more schools to private education companies like Edison."

In reaction to the announcement that Edison would get only 20 schools, shares in the publicly held company fell 8 percent the next day, to \$11.78, and continued to fall through April 22. The stock fell one cent on Friday, April 18, and 70 cents on the next trading day, April 22.

Observers debated the likelihood of the SRC's awarding further schools to Edison. Two market commentators predicted that Edison would win 27 to 28 more schools, and then backpedaled on their comments. "There's not much out there to support what we were saying," Merrill Lynch analyst Lauren Rich Fine, who had initially predicted the awarding of 28 more schools to Edison, admitted to the New York Times.

In other developments involving Edison Schools, a private report from an investment management firm involved with Edison revealed that the company spent \$2 million on "selling" itself to win schools in Philadelphia -- or \$100,000 per school. The report also indicated that Edison has postponed plans to start up a teachers' college and to open 10 charter schools in the Miami area.

-- The teachers' college plan was postponed because the Edison executive heading it has been busy working on Edison's Philadelphia effort, the report said. It identified the executive as a former manager of the Detroit school system - presumably Deborah McGriff, former Detroit schools superintendent whose current title is president of Edison Teachers' College.

-- The report attributed the delayed Miami plan to uncertain funding for charter schools in the

region. Edison currently runs one school in Miami, which the April 7, 2002, Miami Herald reported has "failed to meet educational goals."

-- The report also described an "achievement management" system that Edison intends to market to smaller districts. It indicated that the program may use a "private label" other than Edison, implying that Edison's "politicized" name has become controversial.

Edison Schools Inc. has raised questions with its reporting of both student achievement and company finances. The company claims that 84 percent of its schools made "positive gains" in the 2000-2001 school year. But Edison's School Performance Report lists 62 schools that it claims made "positive gains," for a year when the company says it ran 113 schools. Sixty-two of 113 schools would be 54.8 percent, not 84 percent.

And scrutiny debunks the claim that the 62 "positive gains" schools are successful. At least 10 of the schools on the "positive" list have had contracts with Edison severed -- Edison had already been terminated from several of the schools at the time it released the list touting them as successes. More than 10 of the "positive" schools appear on their states' lists of failing schools.

Edison has also faced questions about the number of schools it claims to run and other figures. Recent business news articles questioned the way the company reports its revenues.

Edison Schools, which runs more than 100 schools nationwide, is a nationwide school management firm with stock publicly traded on the NASDAQ, though the 10-year-old company has never made a profit. Edison has attracted ideological support from backers of privatization and school vouchers, and from such powerful conservative bastions as the Wall Street Journal editorial board and the Hoover Institution.

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