

Date: February 22, 2016
To: Superintendent William Hite
From: Councilwoman Helen Gym
Subject: Great Oaks Foundation, Inc. RFQ response analysis

Background

On January 21, the School Reform Commission approved in a 3-1 vote Supt. William Hite's recommendation to match Cooke Elementary School with New York-based Great Oaks Foundation, Inc. In a Jan. 19 letter to the District and the SRC, our office raised several questions about Great Oaks Foundation Inc.'s qualifications based on a number of areas of concern, including: staffing and governance; lack of service to vulnerable populations; a "no excuses" school climate of excessive suspensions and high attrition rates, and unstated connections to Victory Education Partners, a for-profit charter school company that failed thousands of Philadelphia children during its eight year run in Philadelphia from 2002-2010.

In the week leading up to the vote, our office raised additional concerns about a process which hid Great Oaks' application from the public. I believe that it was imperative for transparency and the public trust that the RFQ response be made publicly available *prior* to the SRC vote. Without that, it is impossible for the public and Cooke parents and community members to have adequate information to evaluate this proposal. At our Right to Know request, the District released Great Oaks' application. A deeper look at their analysis not only corroborates my original concerns; it raises alarm bells about budgetary assumptions and spending practices which require immediate attention on the District's part.

Summary of Concerns

1. Great Oaks is an inexperienced manager which has never operated a turnaround school and has zero experience in working with the K-5 elementary population that is the bulk of Cooke students.
2. Great Oaks' budgetary assumptions rely on troubling projections that far exceed District revenue growth and depend heavily on expansion of its special education population.
3. Great Oaks quadruples administrative expenses (including a \$550,000 management fee) and will spend less than half its funding on direct instruction. As a result, Great Oaks would spend less money on Cooke children than they currently receive as a District-managed public school.
4. Great Oaks' plans to reduce Cooke's teachers from 36 to 23. In their stead, the company relies on uncertified tutors who make poverty wages – wages that violate the spirit of the city's commitment to a 21st century living wage standard.
5. Great Oaks is a "no excuses" charter with high attrition, suspension, and expulsion rates. Despite claiming to drop its "zero tolerance" policy in Philadelphia, Great Oaks offers no real alternative to combat its discriminatory practices.
6. Great Oaks' board of directors does not reflect a commitment to diversity or local community engagement. It continues a secretive pattern of masking multiple ties to a troubling for-profit charter corporation, Victory Education Partners, which ran failed schools in Philadelphia.

1. **Great Oaks lacks any level of experience in turnaround**

Traditionally, Renaissance providers are required to have a proven track record in turnaround schools. Great Oaks, however, has no experience with school turnarounds or with students younger than sixth grade. Moreover:

- Great Oaks operates only four schools, every single one of which is self-started and is geared towards grades six and up.
- Great Oaks' oldest school has only been operating for five years. Its other three schools have operated for fewer than three years.
- Average school enrollment is 185 students, a fraction of Cooke's 500 student body.
- Not one of its schools has reached full scale capacity.
- Great Oaks schools consistently have lower levels of poverty than similar schools in their host district. Cooke Elementary has a 100% poverty level. Great Oaks' average poverty rate is around 84%.

| | Jay Cooke Elementary | GO-Newark | GO-NYC | GO-Bridgeport | GO-Wilmington |
|---------------|----------------------|-----------|--------|---------------|---------------|
| Age | N/A | 5 yrs | 3 yrs | 2 yrs | 1 year |
| Turnaround | District public | NO | NO | NO | NO |
| Grades served | K-8 | 6-11 | 6-8 | 6-7 | 6 |
| Size | 500 | 230 | 200 | 216 | 200 |
| Poverty level | 100% | 80% | 85% | 85% | 85% |

Erratic performance:

Great Oaks is an inexperienced manager whose limited data makes it impossible to reach an informed decision on the company's effectiveness. The company's oldest school has just three years of data to examine, while its most recent school opened just over a year ago and has almost no meaningful data. Still, Great Oaks' limited data indicates areas of concern.

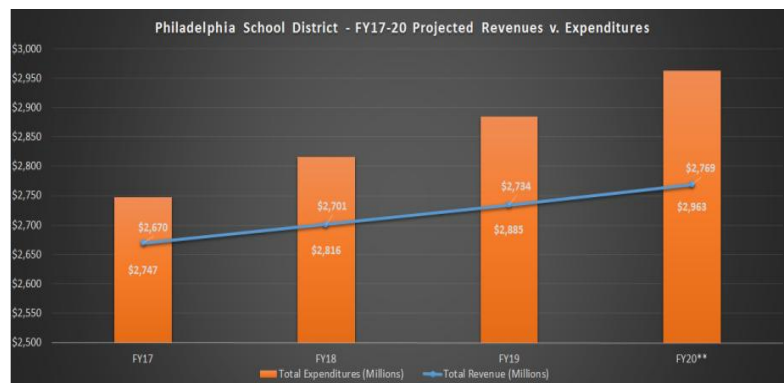
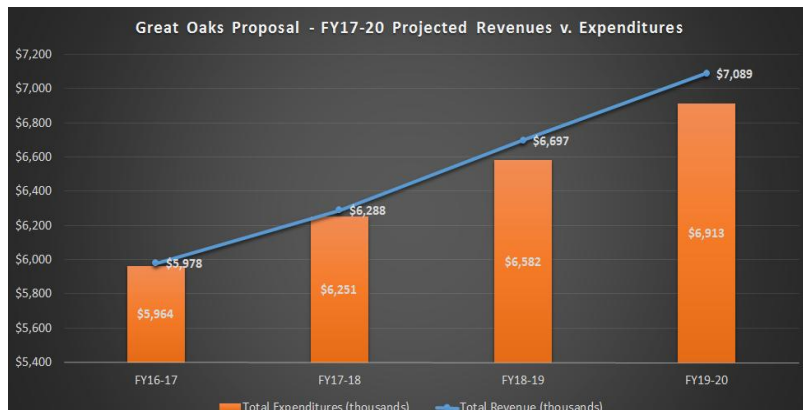
- Great Oaks highlights its Newark school for outstanding improvement in student test scores. However, it fails to mention that its Newark school began with a cohort of 99 students and, five years later, the same cohort has dwindled to only 40 students.
- Great Oaks-Bridgeport scored in the lowest one percent of schools in Connecticut with only 11% of 6th graders proficient in reading, and 3% of students proficient in math.
- Great Oaks-New York City, with only one year of data available, saw a 12% increase in reading scores but less than one percent increase in math.

2. **Great Oaks' budgetary assumptions do not match District projections**

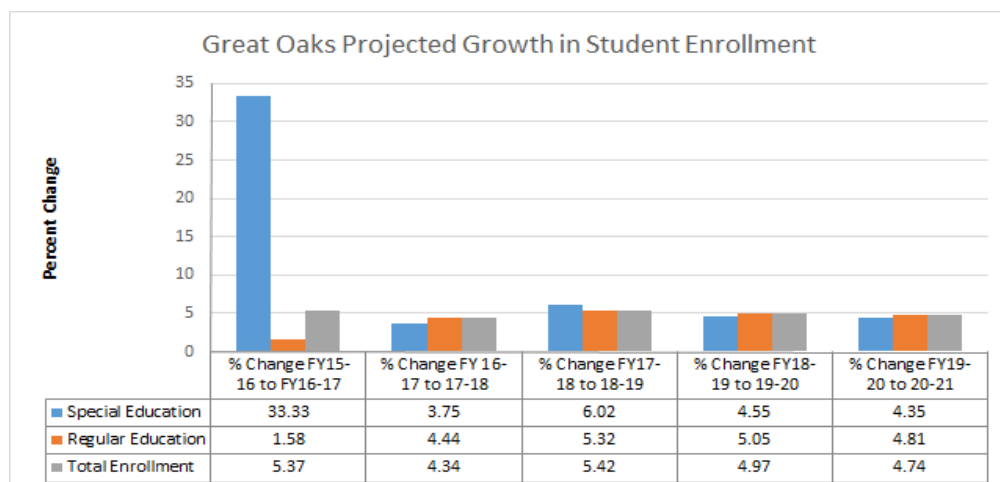
Great Oaks' budgetary assumptions rely on troubling projections that far exceed District revenue growth and depend heavily on expansion of its special education population.

Great Oaks' (GO) charter contract in its first year alone is anticipated at \$5,977,894 – a 50% spending increase over Cooke's current school-based budget allotment of \$3,962,63. Great Oaks projects 5.63% annual revenue growth compared to a 1.29% growth projection by the

District (see below). While Cooke families and staff have complained of a dearth of resources, Great Oaks’ revenue projections promise a \$576,190 fund balance in a mere five years. We do not believe this assumption to be reasonable, much less responsible.



Great Oaks’ balances its budget off the anticipated expansion of Cooke’s special education population. One-third of Great Oaks’ revenue relies on special education funding. In the first year alone, Great Oaks intends to see a 33.3% spike in the number of students identified as special education. Over the course of its five-year contract, Great Oaks intends to grow its special education population from 60 students to 96 students – a more than 60 percent jump in a neighborhood elementary school.

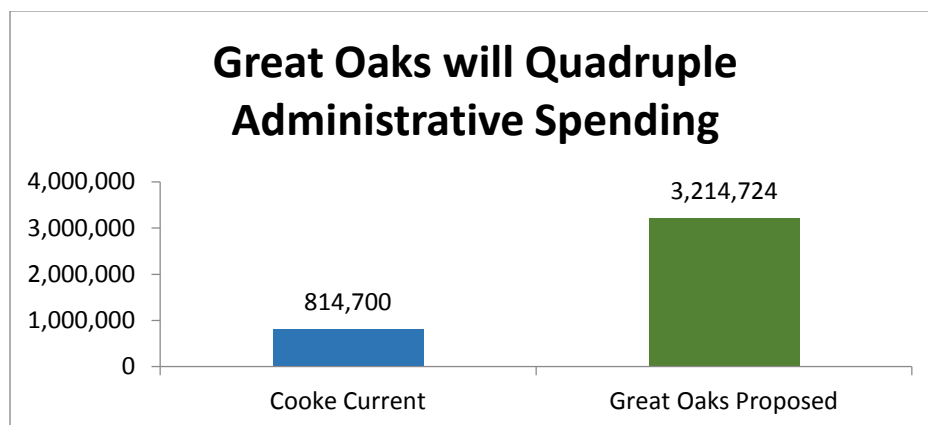
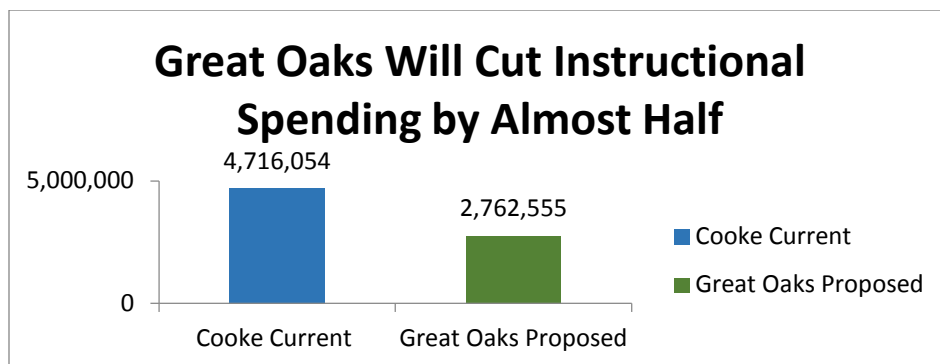


We raise this concern not just in the context of questionable assumptions. Financial watchdogs have flagged charters' exploitation of special education funding as a way to pad their budgets.¹ It is thus deeply problematic that Great Oaks' budget depends on a massive increase in its special education population but slashes its staffing investment in this same area.

3. Great Oaks' Proposed Budget vs. Cooke Elementary Budget:

Great Oaks has excessive administration and consulting costs that quadruples administrative expenses and results in less than half its monies going toward direct instruction.

Cooke currently spends 85% of its budget on direct instruction. Under the Great Oaks proposal, the charter company would increase administrative spending to 55% of the budget, leaving less than half its money to be spent on instruction. As a result, **Great Oaks will spend less money on the instructional needs of Cooke children than they currently receive as a District-managed public school.**



Among Great Oaks' most questionable expenses:

- A **\$550,000 "management fee"** that takes away \$1,000 from each and every student.
- An allotment for **\$460,000 to cover housing** for 59 low-paid tutors.
- Gives away \$600,000 for "contracted services."** Cooke currently spends just \$2,000 in outside contracts.
- Great Oaks' **MWBE participation goal is a feeble 5-10 percent**, far below the city's own 25% participation rate.

| G.O. ADMINISTRATIVE BUDGET | | G.O. INSTRUCTIONAL BUDGET | |
|---|------------------------------|--|------------------------------|
| Admin Budget (ED, admin staff, instructional mgr, directors/coordinators) | \$1,141,639 | Teachers (23) | \$1,701,861 |
| Management fee | \$550,000 | Tutor Corps Staff | \$118,685 |
| Addtl management (audit, payroll, technology, copiers) | \$146,000 | Tutors (59) | \$583,536 |
| Recruitment expenses | \$30,000 | Social Worker | \$73,473 |
| Professional Development | \$50,000 | Supplies (books, testing, uniforms, activities/field trips, other) | \$285,000 |
| Rent, utilities, insurance | \$346,000 | | |
| Addtl property costs (depreciation, janitorial, etc.) | \$476,700 | | |
| Tutor housing | \$460,800 | | |
| Fund balance | \$13,585 | | |
| Total Administration | \$3,214,724 (55%) | Total Instruction | \$2,762,555 (45%) |

4. **Great Oaks’ staffing reduces quality instruction, enforces poverty wages**

Great Oaks’ staffing plans do not meet Cooke’s students’ needs. Cooke, like all Philadelphia public schools, is under resourced and high need (100% poverty, 12% special education, 10% ELL). High need students require specialized instruction. Instead of increasing high quality instruction, Great Oaks’ primary financing and pedagogical strategy relies on reducing the number of certified teachers by almost one-third and replacing them with uncertified low-wage personnel.

- Great Oaks will reduce the total number of teachers from 36 (currently) to just 23 teachers total, even as it projects steady enrollment growth each year.
- In its first year of operation, Great Oaks plans to reduce its special education staff by more than half (from 7 teachers to 3) even as it plans to grow its special education population by over a third. Great Oaks has budgeted one social worker to serve its 500+ student population but does not have a single nurse or counselor on its payroll.
- Great Oaks’ staff is comprised primarily of 59 tutors, uncertified individuals who make just \$7,000 per year, or \$4.86 per hourⁱⁱ.

- Tutor supervisors would make just \$12,000 per year, or \$8.33 per hour. Both salary categories fall below the City’s commitment to a living wage standard for contractors and subcontractors.

Great Oaks’ staff cuts

| | Cooke | Great Oaks | Percentage Reduction |
|-------------------|--------------|-------------------|-----------------------------|
| Regular Ed | 29 | 20 | -31% |
| Special Education | 7 | 3 | -57% |
| TOTAL | 36 | 23 | -36% |

An additional note on special education. As one of its alleged “strengths,” Great Oaks references its ability to support students with special needs but gives no specifics and certainly allocates no clear budgetary resources toward it. Its application makes vague references to mission and track record yet provides no evidentiary data demonstrating either. Instead Great Oaks makes clichéd references to “high expectations,” building relationships, and “preparing every student for success.” Jay Cooke Elementary, however, has very specific special education instructional needs, including an autistic support class. Great Oaks relies on massive growth in special education as a revenue source yet fails to demonstrate that it intends to actually meet the needs of special education students.

5. Great Oaks’ “no excuses” culture is not fit for Philadelphia kids

Great Oaks is a “no excuses” charter with high attrition, suspension, and expulsion rates. Despite claiming to drop its “zero tolerance” policy in Philadelphia, Great Oaks offers no real alternative to its discriminatory practices.

Suspensions

In its charter application, Great Oaks acknowledged its problems with attrition, suspension and expulsion. Each of Great Oaks’ charter schools employ overly punitive discipline policies such as out-of-school suspensions that disproportionately impact minority and male students and fail to make schools safer.

Out-of-School Suspensions:

- a. Great Oaks has issued nearly 400 suspensions for the 540 students in Newark, New York, and Bridgeport.

In-School Suspensions:

- a. GO-Bridgeport and GO-New York City issued an additional 73 in-school suspensions in one academic year.
- b. GO-Newark in-school-suspension data is not available for years 2012-13, 2013-14, 2014-15.
- c. GO-NYC stopped making in-school-suspension data publicly available in the 2014-15 school year.

Great Oaks' Suspension Rates

| School | Student Enrollment | Out-of-School Suspensions |
|---------------|--------------------|---------------------------|
| GO-Newark | 133 | 177 (for SY 2012-2014) |
| GO-NYC | 193 | 69 (for SY 2013-2015) |
| GO-Bridgeport | 216 | 125 (for SY 2014-2015) |

Management and school culture

School District officials informed us that Great Oaks will not employ a “no excuses” approach in violation of SDP policies. Nevertheless, Great Oaks’ application demonstrates limited knowledge of and lack of effort toward developing alternative practices.

- Just as Great Oaks’ academic program is basic and remedial, its classroom management program relies on crude carrot-stick approaches such as demerits and “redeemable” reward coupons.
- Great Oaks defines 10 “non-negotiable” actions, most of which are highly subjective: “respect for all”; “follow the dress code”; “be prepared for class”; and “complete all assignments with academic honesty and integrity.”
- The school actively fosters humiliating methods to address student behavior such as daily postings of each student’s demerit point totals, and increasing student consequences in correlation to demerit point totals.
- The school does not have a holistic approach to culture and discipline, does not mention the role of professional development and training as it relates to discipline, and makes no reference to PBIS, trauma-informed care, or Restorative Justice practices that are highly respected, research-based approaches to pedagogy and climate.

Great Oaks’ own application acknowledged that one of its major challenges is overcoming a leadership transition to address Great Oaks’ problems around climate and culture. In its application it cites a “founding school leader who came out of a no excuse charter network and implemented a strict code of conduct for middle school students.” It is worth noting that Mr. Michael Duffey remains as Great Oaks’ Board President, and is also the managing director of the for-profit charter chain Victory Education Partners which operates “no excuses” charters. Mr. Duffey intends to spend one-fifth of his time at Cooke. Clearly, the leadership problems remain.

6. Great Oaks and Victory Education Partners

Great Oaks has failed to clarify with the District or the public its foundation board members’ ties to Victory Education Partners, a for-profit charter school company that failed thousands of Philadelphia children and squandered millions of dollars during its eight years in Philadelphia from 2002-2010. Steven Klinsky, the founder of Victory, and Michael Duffy, the company’s current managing director, are Great Oaks’ board chair and president respectively.ⁱⁱⁱ Klinsky’s

wife, Maureen Sherry, and Adam Weinstein, the managing director of Klinsky's private equity firm, also serve on the Foundation's board.^{iv} Additionally, with heavy representation from the financial services and private equity industries, Great Oaks' leadership board lacks grounding in the needs of students in diverse, high-need schools such as Cooke.

Conclusion

Great Oaks is an inexperienced charter chain with a limited history and zero experience in school turnaround models. Its revenue projections defy the District's own budget projections, overly rely on increases in special education funding, and exploit low-wage workers. The company has proposed an indefensible use of public funds that will cost more than we currently spend while offering students even less than they already receive. Great Oaks offers little in the way of educational innovation while relying on a bloated administration, stripped-down teaching staff, and poverty-wage tutors to save the day.

I urge the District and the SRC to cease all consideration of Great Oaks as a Renaissance charter operator. Cooke families, the District, and our city deserve better than Great Oaks Foundation, Inc.

Helen Gym
Office of City Councilwoman Helen Gym
Rm. 592, City Hall
1401 JFK Boulevard
Philadelphia, PA 19107
215-686-3420; info@helengym.com
www.phlcouncil.com/HelenGym

ⁱ *Philadelphia Inquirer*, "Battle brews over charter school compensation for special education students," Aug. 24, 2015. http://articles.philly.com/2015-08-24/news/65773715_1_public-charter-schools-robert-fayfich-pennsylvania-coalition

ⁱⁱ Calculated at 8 hours/day, 180 days/year.

ⁱⁱⁱ <http://thenotebook.org/articles/2015/12/01/four-charter-organizations-apply-to-convert-three-elementary-schools>

^{iv} <http://greateakscharter.org/about/board>