INTRODUCTION

Pizza Hut literally launched a new marketing campaign in July: the company bought rights to paint its redesigned logo on the side of a Russian rocket that was delivering parts to the International Space Station. The logo burnt up with the rest of the fuselage after propelling the payload into orbit. But Pizza Hut was banking on media coverage of the event, viewed by approximately 500 million people, to provide a favorable return on its investment of an estimated $1 million-plus. The company, said CEO Mike Rawlings, was looking for a “mythic symbol” to represent the chain’s recent growth.¹ Pizza Hut executives settled on this marketing idea after finding a more ambitious one too pricey: using lasers to project an image of the new logo the size of Texas on the moon.²
Pizza Hut is well-known in education circles for its reading incentive program, Book It!, which rewards students with pizza for meeting their reading goals. The theme for the coming year’s Book It! reading list, promoted in the teacher packets provided to schools each fall? “Space: From Mythology to Technology,” of course.3

The Pizza Hut example illustrates an important point: school commercialism doesn’t occur in a vacuum. We are surrounded by commercial messages in and out of school. The past year brought stories of NewAd Media’s restroom videoboards which play 45-second video advertisements when a person entering the room triggers the embedded infrared sensor;4 of a Mexican restaurant in San Francisco which offered free lunch for life to any customer who would tattoo the eatery’s logo on his or her body (more than 40 people complied),5 and of DotComGuy, who has locked himself in his home for a year to live off only what supplies he can order from the Internet, and whose life during that time is being “sponsored” by a grocery store chain, a computer hardware supplier, an Internet service provider, and others.6
Like DotComGuy, schools are finding themselves dependent on the generosity of corporations to provide their basic needs. In its series of annual reports on schoolhouse commercialism, the Center for the Analysis of Commercialism in Education (CACE) has found an overall increase 395% in press citations discussing seven categories of commercializing activity in schools, from 1990 to 2000 (See Figure 1). The trends identified here are based on analysis of the number of articles published on each activity in four bodies of literature: 1) the popular press, 2) the education press, 3) the business press, and 4) the advertising/marketing press. The quantitative data reported are the number of citations for commercializing activities found within each of the categories listed below for the period 1 July 1999 through 30 June 2000. These data were then compared with the data for previous years to identify trends. Databases used and technical descriptions of the search terms employed for each graph reported below are contained in the Appendix.

The seven categories tracked by CACE between 1990 and 1999-2000 are:

1) **Sponsorship of Programs and Activities.** Corporations paying for or subsidizing school events and/or one-time activities in return for the right to associate their name with the events and activities. This may also include school contests.

2) **Exclusive Agreements.** Agreements between schools and corporations that give corporations the exclusive right to sell and promote their goods and/or services in the school or school district. In return the district or school receives a percentage of the profits derived from the arrangement. Exclusive agreements may also entail granting a corporation the right to be the sole supplier of a product or service and thus associate its products with activities such as high school basketball programs.

3) **Incentive Programs.** Corporate programs that provide awards, goods, or services to a school or school district when its students, parents, or staff engage in a specified activity or demonstrate particular behaviors. The scope of this category’s definition was reduced in this year’s report because revenue-generating programs such as Campbell’s Labels for Education are now included in the new Fundraising category.

4) ** Appropriation of Space.** The allocation of school space such as scoreboards, rooftops, bulletin boards, walls, and textbooks on which corporations may place corporate logos and/or advertising messages.

5) **Sponsored Educational Materials.** Materials supplied by corporations and/or trade associations that claim to have an instructional content.

6) **Electronic Marketing.** The provision of electronic programming and/or equipment in return for the right to advertise to students and/or their families and community members in school or when they contact the school or district.

7) **Privatization.** Management of schools or school programs by private for-profit corporations or other non-public entities.
In this 1999-2000 report, CACE has added an eighth category, Fundraising.

8) Fundraising. The Fundraising category incorporates some elements formerly included in the Incentive Programs category, as described above, such as collecting particular product labels or cash register receipts from particular stores. Any activity conducted or program participated in to raise money for school operations or extracurricular programs is considered fundraising. Because this is the first year in which database searches were conducted on the topic, the data for Fundraising were not included in the total number of citations for the year or used for comparison between years.

The results of database searches relevant to each of the eight categories are discussed below.

SPONSORSHIP OF PROGRAMS AND ACTIVITIES

Looking for some way to market her employer’s services to school families in Springboro, Ohio, Charlene Evans created “ReMax Night” at the local high school. Evans, a ReMax employee, arranged for the real estate company to bring in its famous hot-air balloon, which remained in the area while the Springboro Panthers football team played their home opener. Company
representatives and Panther cheerleaders handed out ReMax party balloons, and a former Cincinnati Bengals star autographed ReMax T-shirts for fans. The school was hoping that the balloon’s presence would add some spirit to the event, offering as one booster said, “a little something different.” Furthermore, having ReMax Night allowed the school to pay back the company for previous support: “We do things for our local businesses. Obviously, they support us,” said Springboro’s athletic director. According to the Dayton (Ohio) Daily News, “the real estate company’s ‘sponsorship’ failed to boost the team to the victory, but it paid off for ReMax. … The company paid nothing for the privilege, while gaining advertising exposure for four quarters before a capacity crowd.”

Events like “ReMax Night” happen regularly at schools across the country. The Sponsorship of Programs and Activities category is very stable in terms of number of citations, declining one percent between the 1998-99 and 1999-2000 school years. (See Graph 1.) As with all searches conducted for this report, the search terms returned a number of articles that did not deal with the topic, and these are not included in the final data for the report. It’s significant to note, however, that in this category the articles deemed irrelevant to sponsorship in schools still had to do with sponsorship activity in some other area, indicating how inundated Americans’ lives are by corporate sponsorship.
From the first day of kindergarten to high school graduation, schoolchildren are exposed to marketing efforts by companies in the form of sponsorships. Examples from the 1999-2000 school year abound. Students at Euclid Elementary School in Mount Prospect, Ill., pilot-tested a mentoring program sponsored by Allstate Insurance Co. Mentors read stories to the children, joined the students for lunch, and participated in other one-on-one activities with the students. Clothing company Eddie Bauer sponsored the final round of the National Geography Bee for students in grades four through eight. New England middle schoolers competed in a model ship building contest sponsored by the Cape Cod Potato Chips company. Classes participating in the contest (planned in honor of the arrival of tall ships from around the world for the Sail Boston 2000 festival) were required to build their ships out of two cases of Cape Cod chips, provided by the company. Teams of high school students tried for scholarships by solving hypothetical environmental problems in the Canon Corporation-sponsored Envirothon. In response to concerns about school violence, Pinkerton Services Group, a security firm, sponsored a toll-free anonymous tip line for reporting threatening incidents at schools in North Carolina.

In high school, sports are a powerful attraction for sponsors. The California Interscholastic Federation’s San Diego Section, for example, boasts
sponsorships from Gatorade, Spalding, Rawlings, and others, which provide the member schools with game balls, sports and fitness equipment, and money.\textsuperscript{13} CorTrust Bank and Burger King became the first sponsors of the South Dakota High School Activities Association, providing financial support to the state’s extracurricular programs in exchange for “special recognition and promotion at state athletic and fine arts events.”\textsuperscript{14}

Ending their K-12 careers, high school seniors are touched by sponsorship one more time when they walk across the stage to get their diplomas, through corporate-sponsored college scholarships. One of the most common examples is the annual awarding of National Merit Scholarships. In 2000, over 400 corporations nationwide sponsored scholarships worth between $500 and $10,000 per year. For example, the \textit{Dallas Morning News} reported that in April 2000, graduating area seniors had received National Merit Scholarships from Lockheed Martin, Raytheon, AMR/American Airlines, Mobil, H.J. Heinz, and PepsiCo, among others.\textsuperscript{15}

Sponsorship offers corporations the opportunity to associate their names with a good cause, increase name recognition among important market segments, and get their products into schools. The schools get needed resources and develop connections with the business community. But sponsorship poses some significant questions. Some schools, for example, find that sponsorship money dries up when the sponsor discovers its efforts are not offering a favorable return on investment. CIF-San Diego Section commissioner Jan Jessop recounted to the \textit{San Diego Union-Tribune} that ten years ago, the federation “had contracts with multimillion-dollar sponsors like Arco AM-PM and Toyota, but none of those lasted. It’s not easy to find big corporate sponsors that stand for the core values of the CIF and not just for their own advertising value. In the case of a sponsor like Toyota, I think they realized that most of the money they were providing was going to high school underclassmen. That’s not a group that’s necessarily going to run out and buy a lot of cars. I think the years of big contracts are passe.”\textsuperscript{16}

One highly publicized incident at the university level this year illustrates the potential consequences public schools face in banking on corporate sponsorship money. Phil Knight, chairman of Nike, had promised a $30 million gift to his alma mater, the University of Oregon, to fund a planned renovation of its athletic stadium. Criticism against Nike has intensified in recent years for its use of sweatshop labor, and students across the country have organized a watchdog group, the Workers Rights Consortium (WRC), to monitor labor conditions in the sweatshops used by the shoe company and other American manufacturers. When Knight learned that the University of Oregon had joined the WRC, he retracted his gift. Sarah Jacobson, a member of United Students Against Sweatshops, said of Knight’s decision, it “makes the connections very clear between universities and corporate interests. It’s obvious that the donations he has given allegedly out of a philanthropic motivation are clubs that he is attempting to use to bludgeon the University into moving one direction or
another.” In a statement, the company countered, “The University of Oregon, despite its unique relationship with Nike and Phil, is free to align itself with the Workers Rights Consortium. However, it does not mean that we are required to support those efforts with which we have fundamental disagreements.” Also in the spring, Nike ended negotiations of athletic wear contracts with two other schools, Brown University and University of Michigan, after they joined the WRC. Nike officials indicated that the decision to terminate those discussions were not related and the timing was coincidental.

As in previous years studied by CACE, Sponsorship of Programs and Activities was one of the two most frequently discussed type of commercializing activity in schools, this year exceeded only by Fundraising. Sponsorship is also the category which appears to be of most interest to the Advertising/Marketing press, a likely testament to its broad application in marketing campaigns in and out of school. In spite of its prevalence in schools, Sponsorship did not receive any comment in the Education press in 1999-2000.

EXCLUSIVE AGREEMENTS

The exclusive agreements category is down 16 percent since the previous year, and the decline in reporting on the subject may be an accurate reflection of the
A number of school districts have begun to question the value of exclusive pouring rights agreements, including Philadelphia and Santa Fe, which turned down $43 million and $2.4 million deals, respectively. The school board of the RE1J District, serving Crested Butte and Gunnison, Colo., schools, not only rejected an offer from Coca-Cola, but voted to remove the soda machines from all schools. Board president Paul Wayne Foreman pointed out that "responsible parents don’t encourage their children to increase their consumption of caffeinated drinks, and the school district shouldn’t either," according to the Denver Post. The Madison, Wis., school district, one of the first sizable districts to sign up for a deal with Coke, allowed the three-year, $615,000 contract to expire at the end of August. Board member Ruth Robarts said the public outcry over the deal never quieted. "They felt, ‘What are the public schools doing, promoting one product over another? And an unhealthy product at that?’” Robarts recalled.

Coke might not be complaining too much about the Madison deal’s end. Sales in the district “have not met our expectations,” Coke representative Kevin Morris told the Wisconsin State Journal. “Unfortunately, some of the elements of the partnership never materialized, and the partnership’s true potential was never realized due to barriers resulting from misperceptions that we continue to attempt to address,” Morris said. Among those unrealized elements were student internships at Coke facilities, and distribution of hats, t-shirts, software, and lesson plans promoting the company’s products to students.

The change of heart is due in part to what Robarts called “the negative brand of being an exclusive Coke school.” In a commentary in the Wisconsin State Journal, she wrote, “After hearing concerns from many taxpayers about the contract, I have concluded that exclusive advertising contracts erode public confidence in our judgment and values.”

But the shift may also stem from the realization that the deals aren’t always as profitable as originally hoped. John Bushey, the administrator in charge of managing compliance with the Colorado Springs, Colo., District 11 contract with Coke, earned notoriety (and the moniker “Coke Dude”) for sending a memo to all the district’s schools urging principals to do anything they could to increase in Coke consumption. Bushey later told the New York Times that the company had simply outwitted the district by making revenue contingent on high sales levels. “Quite honestly, they were smarter than us,” Bushey lamented. Another Colorado school district, Boulder Valley, rejected exclusive deals with Coke and Pepsi, citing the hidden costs associated with such arrangements. Barbara Taylor, Boulder Valley’s communications director, enumerated some of these costs for the Denver Post: ‘the schools’ food-service lines have to change their products to use the cola company’s – at the company’s prices. They have to increase the number of pop machines and hire a manager to oversee the program,” resulting in a contract that is “not as sweet as it appears.”
Philadelphia Inquirer food writer Rick Nichols criticized a Coke deal approved for the Doylestown, Pa., school district that will require the purchase of 9.5 million cans of Coke over 10 years, or 1.7 sodas per day per high school student. Estimating that each student will have to spend $50 per year on soda at the schools, less than half of which will be returned to the district, Nichols sent a $25 check to the district, to get “one poor sap off the hook” by sponsoring “a Coke-free high school student.”

This financial disappointment can also lead to mercenary behavior on the part of school districts. The Wylie, Texas, district made a joint agreement with both Dr Pepper and Coca-Cola in 1996, in which each company paid the district approximately $31,000 per year. But in 1998 Coke offered a much more lucrative deal – $1.2 million over 15 years, half paid up front, plus about $40,000 per year in sales commissions – if the district would offer it alone exclusivity. Wylie signed with Coke, and Dr Pepper sued the district for breach of contract. The district paid Dr Pepper $160,000 to buy its way out of the original contract, and paid $20,000 in legal fees.

What a district gains might be coming out of the in-school consumer’s pocket. In the absence of any competition, the price of a Coke in the Madison schools rose from 40 cents to a dollar. Exclusive agreements might also detract from out-of-school freedom of choice. An editorial in the (Lancaster, Pa.) Intelligencer Journal reminded readers that a recently signed deal with Coke not only required that no competitor’s products be sold on campus, but that all groups operating on school property must buy their soda directly from the local Coke bottler. “[T]his provision, in theory, would also stop volunteers for such organizations as the PTA from stopping at a local convenience store and buying a couple of Coke six-packs for refreshments at a meeting,” the editors surmised.

It is possible to garner corporate gifts without signing an exclusive agreement. The Burrillville, R.I., high school was awarded a $6,800 scoreboard from Coca-Cola, with no strings attached. The principal rejected a 5-year exclusive deal with Coke in 1995, saying that although the school had stocked only Coke products for 30 years, sealing the habit in writing was inappropriate. The company came back this school year with the scoreboard offer, in appreciation for the school’s longstanding – but voluntary – loyalty.

The Champaign, Ill., school district successfully negotiated “virtually identical” 10-year contracts with both Coke and Pepsi, giving each equal presence in the district’s buildings. Furthermore, a news report on the deal noted that the district had forgone the assistance of a “Colorado firm” (most likely DD Marketing) because the company would have claimed too large a portion of the proceeds as a brokering fee. Similar arrangements have developed in the Manatee County, Fla., and Bismarck, N.D., schools, among others.
However, promoting the consumption of soft drinks in schools, through exclusive contracts, logo-bearing scoreboards, or other means, raises serious questions. A recent study suggests that young athletes may suffer from consuming the soda promoted on all those free stadium scoreboards. Harvard researchers found that physically active girls who drink soda are three times as likely to suffer bone fractures as girls who never drink soda. If the soda of choice is cola, the risk increases five times. Educator Jane Levine, writing in the Journal of School Health about the various ways food marketers gain entrance to schools, including exclusive contracts, warned of the negative health impact of these practices:

A major barrier to adoption of effective school policies that support and promote a healthful eating environment is the widely held notion that marketing to elementary school children is an acceptable trade-off for needed funds and materials. But children’s health is never an acceptable “trade-off,” no matter how severe the budgetary constraints. School health professionals need to actively work for implementation and support of school policies that put children’s well-being before business interests.

The number of citations on the topic of Exclusive Agreements decreased in every press except Advertising/Marketing from 1998-99 to 1999-2000. The Advertising/Marketing press included 38 articles on Exclusive Agreements this year, a small number but representing an increase of 58 percent over the previous year.

INCENTIVE PROGRAMS

The search terms for the Incentive Programs category were changed this year. With the addition of the Fundraising category, it became possible to sort incentive programs into two subcategories: those whose primary effect in the schools is to encourage certain student behavior, and those whose main impact was to raise money. The Incentive Programs category now includes only the former. In spite of these changes, the number of citations in this category increased by 81 percent between 1998-99 and 1999-2000. (See Graph 3.)

It is apparent from the articles returned in this search that incentive programs are firmly rooted in schools, serving a variety of purposes, among them encouraging children to read, to stay in school, to improve standardized test scores, and to stay out of trouble. It is also evident that some schools have found non-commercial ways to reward students for performance.

Pizza Hut’s Book It! program is one of the best-known incentive programs in the country. The program expects to enroll over 20 million elementary students in the 2000-01 school year, its 16th year of operation. A companion program, Book It! Beginners, is in its 3rd year and targets preschool-age children. Both offer kids free pizza at Pizza Hut as reward for meeting their reading goals.
national reading incentive program is Sylvan Learning’s Book Adventure, in which children in kindergarten through eighth grade are asked to read books and then take five- to ten-question online quizzes about the content. Participants are given points for quiz questions, which can then be redeemed for prizes such as discounts at K-Mart, free meals at Rainforest Café, Barnes and Noble gift certificates, and movie passes for General Cinemas.  

As the enrollment numbers attest, the national programs are very popular. However, examples of locally organized incentive programs abound. Many involve corporate sponsorship, especially in providing prizes. In May, Brunswick, Ga., sophomore LaKeesha Davis won a new Pontiac Sunfire in a drawing sponsored by a local car dealership. Entrants in the drawing were students who had successfully completed Operation Cool, an incentive program that requires students to stay in school, drive carefully, and keep out of trouble both in and out of school.  

Leto High School students, in Pinecrest, Fla., are treated to an in-school “mall” each quarter. The students earn play money called “Falcon Bucks” for academic achievement, attendance, and other good deeds, which they can then spend at the Falcon Mall set up in the gym. Local corporate donors provide merchandise such as sports memorabilia, movie tickets, snacks, and school supplies. In June, the Indianapolis Public Schools and American Trans Air airline partnered to offer the students at Forest Manor Middle School a free trip to Disney World in exchange for achieving at least a C in all their classes and a 98 percent attendance record. The Utah Jazz professional basketball team will
send their Jazz Bear mascot and the wives of Jazz players to Utah schools looking to spur reading among their students. The visitors provide bookmarks with Jazz members’ photos to be distributed as incentives to reading.\(^4^2\)

A most elaborate incentive program was developed at Fleming Elementary School in Detroit: a “Mini McDonald’s” was installed in the school. In exchange for reading, taking quizzes on the books read, and having good attendance, students earn the opportunity to buy meals (shipped hot from a local McDonald’s outlet) at the Mini McDonald’s. Children can apply at the school’s “employment office” to serve the meals. To further inspire achievement and create a conducive atmosphere, a mural of the restaurant’s characters was painted on the cafeteria walls by local college students and McDonald’s-related prizes were arranged in the school display case.\(^4^3\)

The Mini McDonald’s was not the only incentive program encouraging dubious nutrition. Through an arrangement with Coca-Cola, an incentive program at Radford High School in Hawaii provides students with a school identification card that can also be used as a debit card for purchases at the school cafeteria, school store, and concession stands. The card tracks students’ purchases and tallies loyalty points for each meal or Coca-Cola product bought at school. The points can then be traded in for discounts at local merchants.\(^4^4\)

While many schools rely on pre-packaged, corporate-sponsored incentive programs others have created their own, non-commercial, programs. To school administrators’ chagrin, one popular alternative is for the principal to promise to submit to some humiliation in exchange for the desired student behavior. Allison Lee, principal of Jones Elementary in Severna Park, Md., got sent up in a hot air balloon after her students met their reading goals during the school’s “Take Flight with a Good Book” week.\(^4^5\) At Mary McPherson Elementary School in Boise, Idaho, principal Glenn Aguiar allowed students and teachers to shave his head after the school’s 600 students read over 15,000 books.\(^4^6\) The children at Graham Elementary in Naperville, Ill., got to duct tape their principal to the wall after logging in 486,000 minutes of reading.\(^4^7\) And in an article about his upcoming retirement, elementary school principal Mike Phythian recalled for the *Houston Chronicle* the many stunts he had agreed to as incentive for his students to reach reading goals, including riding an elephant, standing on his head, and having a mixture of applesauce, oatmeal, and Jell-O poured over his head.\(^4^8\)

**APPROPRIATION OF SPACE**

The number of articles relating to the appropriation of space category increased 73 percent between 1998-99 and 1999-2000. (See Graph 4.)

One apparently growing type of appropriation of space is the selling of ad space on school buses. For example, new regulations from the Texas Department of
Public Safety permitting ads on select portions of the state’s school buses took effect in November 1999 and spurred renewed interest in the idea among districts in the state. 49

The practice has become widespread enough that two national school transportation organizations came out this year against it. The National Association of State Directors of Pupil Transportation Services is concerned that allowing advertising on buses increases traffic accident risks, and opens up potential for First Amendment lawsuits against a district. In a position paper, the Association noted that one of the school bus’ most effective safety features is its distinctive appearance: “large, uniquely colored buses that are equipped with flashing warning lamps and stop signal arms to warn passing motorists.” Advertising might alter that effect, according to the Association:

[Bus advertising opponents’] argument is that if you put advertising on the exterior of a school bus to catch the attention of passing motorists (since that is precisely what advertising is designed to do), then you run the inherent risk that passing motorists will focus their attention on the advertising and not notice, for example, that the school bus has stopped, or turned on its flashing lamps, or allowed students to exit the bus. 50

The National Conference on School Transportation passed a resolution in May encouraging states to ban school bus ads because of safety concerns. 51
Another type of appropriation of school space for commercial purposes that has gained prominence in the past year is on-site market research in schools. A leader in this activity is Education Market Resources, a seven-year-old Kansas company which claims to “enrich the lives of children directly and indirectly by providing high quality custom market research to America’s leading companies and brands.” EMR conducts “more than 85%” of its research projects “in classrooms during normal school hours.” Such in-school projects include one-on-one interviews, large or small group product testing, focus groups, interactive computer testing, and mock shopping experiences. EMR reports that “it has been proven that testing inside the school building provides a more comfortable and non-threatening environment in which children respond openly and easily to questions and stimuli.”

Recent reports of market research in schools included elementary students in Beverly, Mass., taste-testing sports drinks; ten thousand children in day care centers and elementary schools across the country playing with toys in school for the “Great American Toy Test;” sixth-graders in Kansas City, Kan., filling out surveys for Toys ‘R’ Us; and schoolchildren in Lynnfield, Mass., comparing breakfast cereals over a two-day period.

Schools are paid for their participation, from hundreds to thousands of dollars depending on the level of complexity and the time commitment required. The Kansas City school received five dollars per student who filled out the toy store’s survey. The Lynnfield school received $600.

Alarmed by reports of in-school market research, U.S Congressman George Miller (D-Calif.) and U.S. Senators Richard Shelby (R-Ala.) and Christopher Dodd (D-Conn.) proposed bills in their respective houses to require written notification to parents of any commercial research being conducted in their children’s schools. The notice would have to include: what information about their children will be solicited; whether the solicited information could lead to identification of the child; who will have access to the information and for what purpose; how much class time will be spent on the activity; and what the school will gain from participating. The bills would also require written permission from the parents before a child would be allowed to participate in the research activity.

The Miller bill was included as an amendment to the Elementary and Secondary Education Act reauthorization bill, which had passed the House Education Committee but was stalled at the time this report went to press.

When not delving into students’ minds, corporations are claiming space on students’ school clothes. One controversial proposal in the 1999-2000 school year came from a new non-profit foundation in Phoenix, Ariz., called the Public School Apparel Foundation. A creation of millionaire marketer Ken Pontious, the foundation seeks corporate sponsors for gym uniforms that are distributed free to
school districts. The uniforms feature the sponsor’s 1 ½-inch by 1 ½-inch corporate logo. Schools in Cincinnati and Pittsburgh have taken the foundation up on its offer.\(^{60}\)

Advertisements continue to be found on every conceivable surface in schools. Kodak is giving away free photo-mosaic book covers in schools (with the assistance of the Cover Concepts marketing firm);\(^{61}\) Nintendo 64 is advertising its basketball game “NBA Jam 2000” in 6,500 high school gymnasiums nationwide;\(^{62}\) students at Hunters Bend Elementary in Franklin, Tenn., can shop at the miniature Kroger grocery store that’s been constructed in the school’s lobby;\(^{63}\) and the Springfield Platteview High School in Nebraska is selling banner ads on its gym walls for $200 to $1,000 apiece.\(^{64}\)

Even the smallest piece of school equipment can serve as an ad platform. Word of Mouse, a Colorado company, will send your school’s computer lab a new set of free mouse pads twice a year, in exchange for a three- to five-year agreement to use only Word of Mouse pads. The mouse pads carry four ads each from commercial websites with education-related missions (an online dictionary site, for example).\(^{65}\)

The number of articles dealing with Appropriation of Space increased in all presses except Education between 1998-99 and 1999-2000. Although the education press is largely silent on the subject of commercialism in schools, they do have something to say about advertising more generally. Many of the education articles returned in response to this category’s search terms did not discuss advertising in schools, but rather reported on media literacy units in schools in which teachers assist children in decoding and responding to advertising (such articles were not included in the data for this category, however).

SPONSORED EDUCATIONAL MATERIALS

The category of Sponsored Educational Materials increased 86 percent between 1998-99 and 1999-2000. (See Graph 5.) Although SEMs are a mature form of school commercialism, the increase in the number of citations may reflect increased public awareness of their presence in schools.

An article by Leanna Landsmann in the marketers’ publication Selling to Kids illustrated the process of researching and creating an SEM. Landsman, president of the youth marketing arm of TIME magazine, TIME for Kids (TFK), wrote that TFK was approached by Ford Motor Company for assistance in producing an environmental education kit. “Kids are pro-environment and they think ill of people and institutions that aren’t. … Ford got involved in schools because it wanted kids to be aware of its strategic
initiatives – both today’s and those to come,” Landsman recalled. The representatives from Ford didn’t know what they wanted the kit to be about, so TFK did some market research to find out what teachers wanted. “We asked teachers: What do you need that you don’t already have to teach about the environment? One responded, “Hope, that’s what. So many materials focus on problems that kids are losing hope. … Tell us about role models, people who are really making a difference for the planet!”’ TFK took that teacher’s request to the drawing board and created “Heroes for the Planet, a year-long series of special issues, classroom and ‘send-home’ posters, teacher guides and a web site. It focused on scientists, everyday activists and kid heroes. Each issue had advertising reviewed by our Teacher Board for kid appeal and concept comprehension. All teaching materials carried the Ford logo.” From TFK’s perspective, the kit was a success: 9 out of 10 teachers used the materials repeatedly over the year. “Plus,” Landsmann noted, “nearly 90% of teachers sent the issues home for kids to read with family members.”

Sponsored lesson plans are offered on just about any topic. High school teachers can order a “McEducator Tool Kit” to instruct their students about job-seeking skills. Elementary students can learn through sports with the National Hockey League’s curriculum, produced in cooperation with Nike. Noggin, an interactive network with both television and online programming, sent out 50,000 “Master of Suspense” writing kits to fourth-grade teachers across the country. Noggin is a collaboration of Nickelodeon and the Children’s Television Workshop. The “Master of Suspense” kit features an episode of the Noggin-produced children’s mystery show “Ghostwriter.” The National Wild Turkey Federation, a hunting group, offers schools a “Return of the Wild Turkey” teaching box, which includes lesson plans, a poster, a CD-ROM, rulers, pencils, and a video, all on the subject of “the comeback of the American wild turkey.”
Even though SEMs are a well-established feature in the school landscape, their use is still a subject of controversy. In a commentary in the *American Prospect*, Edward Cohn leveled a critique against the prevalence of SEMs: “Even when individual SEMs seem harmless, the aggregate effect of the influx of corporate ‘educational’ materials is to compromise the integrity of the teaching process and to blur the line between education and advertising. And the result of this manipulation can hardly be described as ‘education.’”

**ELECTRONIC MARKETING**

Citations in this category increased 16 percent between 1998-99 and 1999-2000. (See Graph 6.) The widespread pressure on schools to incorporate technology into every aspect of the school day appears to be driving the continued increase in the Electronic Marketing category. Reporting on an education technology exposition in May, the *New York Times*’ Barnaby Feder described the vision of the technology-permeated school community:

The technology promoters see a world where record-keeping is simplified, innovative lesson plans from around the country are freely posted on the Internet, misbehaving children become enthusiastic students and test scores soar. The vision includes parents using the Internet to monitor their children’s grades, assignments, and extracurricular activities, and schools forging lively
electronic links to local governments, businesses, clubs and elderly people. Teachers swap creative tips in private electronic chat rooms and on e-mail bulletin boards.\textsuperscript{72}

In April, President Clinton hosted a media event in East Palo Alto, Calif., to announce several public-private partnerships to help close the "digital divide" between technology haves and have-nots. At the event companies such as Hewlett-Packard, Gateway, AOL, and Cisco Systems committed to donations of Internet access, hardware, and buildings for computer centers for impoverished communities like East Palo Alto. The corporations’ beneficence did not go unnoticed by the local schools. A *San Francisco Examiner* correspondent reported that “at times the corporate presence at the event felt a bit heavy-handed. Members of an elementary school choir were decked out in T-shirts reading “Cisco Systems and Costao School” and sang a song for the audience praising its corporate sponsor.”\textsuperscript{73}

Not all donations of technology or services to schools get such a public show of gratitude, but it is evident that plenty of companies are hoping this enthusiasm for all things high-tech will allow their products to ride in through the schoolhouse doors. Channel One, the veteran in the electronic marketing category, is still going strong (although the *Washington Post* reported that no new schools would be added to the network because of rising costs).\textsuperscript{74} Channel One’s Canadian counterpart Youth News Network finally was allowed in 30 schools, after years of controversy.\textsuperscript{75} ZapMe!, last school year’s most significant newcomer, claimed a large portion of press attention with announcements of many strategic partnerships, several content developments, and an initial public offering of stock. Searches in this category also returned evidence of myriad smaller efforts to harness technology for school marketing purposes, particularly by using the Internet to connect home and school.

Many companies are offering free, ad-bearing school websites in the hopes of using the need for home-school communication as a lure. Most sites carry basic information such as the school calendar and lunch menu, and others offer more sophisticated features like online access to homework assignments and grades. Although the majority of such arrangements are at the school level, some companies have signed up entire school districts. Kickstart.com landed a contract with the Denver Public Schools to create a Internet portal for the district’s webpages. Every time a visitor uses the Kickstart ad-bearing portal to conduct searches on the web, DPS will get 2.5 cents.\textsuperscript{76} Other companies attempting similar models include Highwired.net, FamilyEducation.com, ThinkWave.com, and American School Directory. Taking the idea one step further, a group of technology companies that included IBM, Cisco Systems, and Toshiba America proposed a deal to the New York City school district in which each student in grades 4 through 12 would be leased a discounted laptop computer. The computers would use an Internet portal provided by the companies with advertising and e-commerce components.\textsuperscript{77}
School sports programs have provided another angle for profiting off the home-school connection. Companies like SportsCapsule.com, VarsityOnline.com, and iHigh.com offer various means for parents and other interested visitors to get information about school sports activities. VarsityOnline posts participating schools’ game schedules and statistics, and offers photos of the teams in action for purchase. The company employs both paid and volunteer staff to produce the site.\(^76\) SportsCapsule uses student volunteers to videotape and post high school game highlights on the web, so that busy parents and faraway relatives can watch their children’s games, without having to sit in the bleachers. Videotapes of the entire game can be purchased later for $19.95.\(^79\) The iHigh sites feature school-specific sports news, plus links to other teen-centered content areas such as dating advice, student writing, and music reviews.\(^80\) All the sites carry some form of advertising, ranging from links to ESPN.com to public service announcements from the Ad Council.

Although the category of electronic marketing is maturing, some concerns that plagued it in its infancy still linger. Privacy issues posed by technology in schools got significant attention in the past year. The federal Children’s Online Privacy Protection Act went into effect in April, requiring child-oriented websites to get permission before collecting personal data about young web visitors.\(^81\) Congressman George Miller (D-Calif.) drafted the Student Privacy Protection Act (described in the Appropriation of Space section of this report) partly in response to ZapMe!’s presence in schools. The ZapMe! contract allows the company to provide its advertisers with aggregated data on students. The company is permitted to monitor traffic on its websites and collect information on each student’s age, gender, and zip code. The information can then be used to target advertising campaigns and even to trigger the appearance of certain ads when a particular student logs on.\(^82\) In January 2000, a broad coalition of consumer and child advocacy groups, led by Ralph Nader’s Commercial Alert, sent a letter to all 50 governors asking them to take steps to protect against ZapMe!’s incursions into student privacy. The coalition also wrote letters to ZapMe!’s corporate sponsors and partners urging them to sever their ties to the company. ZapMe! responded with news releases declaring its commitment to student privacy and announcing an agreement with PricewaterhouseCoopers to conduct independent audits of the company’s compliance with its own privacy policy. The company seemed to have learned a quick lesson about the sensitivity of student data: for a few months after Commercial Alert’s letter campaign, ZapMe! identified itself in its press releases as “ZapMe!, a champion of student privacy rights as well as the leading provider of quality technology and online educational content to schools.”\(^83\)

The presence of advertising also continues to draw criticism. At the start of YNN’s first year in schools, the parent company (Athena Educational Partners) announced that it had impaneled an educational advisory council to develop guidelines for appropriate advertising on its network.\(^84\) By the end of the school
year, however, YNN made a surprising change of direction. In May, Athena’s president and CEO Rod MacDonald sent a letter to participating schools announcing that the company would replace the commercials on the news program with “social advocacy messages sponsored by the private and public sector.” It will not be clear until the change takes effect in the fall of 2000 whether the public service announcements will carry the sponsors’ names, logos, or other credits.

ZapMe! has also suggested that it is transforming its business model after being the subject of so much controversy. Rick Inatome, who took over as CEO of the company in October 1999, told Mother Jones magazine that he is redefining “a lot of the original concepts in which there was a pure marketing play.” The next generation of the network, he promises, will be ‘more like public TV,’ offering ‘educationally appropriate sponsorship.’” As an illustration of what such sponsorship would look like, the magazine noted, “he describes a Doritos ad that leverages the chips’ trademark crunch to provide a “very important lesson about decibels.” To U.S. News and World Report, Inatome further insisted that, “I can guarantee that we never tracked individual surfing habits. We had the contractual right to do it, but we never did. … I’ve redefined the mission from Internet marketing to education.” U.S. News pointed out to readers, however, that “ZapMe! has not altered its current contracts to reflect this new focus. And there are no significant changes in company philosophy in its latest filing with the Securities and Exchange Commission.” The report quoted stock analyst Chris Nerney, who follows ZapMe! for the Internet Stock Report, as saying, “It doesn’t look like they’ve changed their business model. The bottom line is that ZapMe! is still making most of its money through sponsorship fees.”

In the debate surrounding electronic marketing in schools, the answer often suggested to objections to the presence of advertising is more media literacy training for students. Executives at Channel One took the task into their own hands by becoming a major sponsor of the National Media Education Conference, held in Minneapolis in the summer of 1999, provoking outrage in some of the attendees. The company also hired a consultant to develop a media literacy curriculum which was distributed to Channel One network schools in February 2000. According to an article in the Wall Street Journal, portions of the curriculum deal with the “economics of Channel One as well as the pros and cons of advertising.” Advantages listed include keeping the price of mass media down and helping the economy grow. Disadvantages include encouraging consumers to buy unnecessary items and interrupting the “experience of appreciating media.” The curriculum also points out that “advertising is a type of free speech that is protected by the Constitution” and “does not force people to buy things,” quoted the Journal reporter.

In-school marketers’ approach to media literacy, however, puts the responsibility for mitigating advertising’s impact squarely on students. Paul Folkemer, vice president for education at Channel One, said, “Kids are bombarded with 400,000
media images a year. It seemed appropriate, when I started to talk about it in the company, to share some strategies with teachers to make kids smarter consumers.” Internet portal service N2H2’s vice president for marketing takes a similar tack: “Our position is that there’s always been advertising and there always will be advertising. The answer is for children to become wiser.”

All of this electronic marketing activity is taking place in a context of widespread agreement that technology in schools is a beneficial development. However, some cautions have been voiced in the press this year. A highly publicized study by Stanford University’s Institute for the Quantitative Study of Society asserted that, as use of the Internet becomes more pervasive, Americans will become more isolated and depressed. Clifford Stoll, computer expert and technology critic, released a new book entitled High Tech Heretic: Why Computers Don’t Belong in the Classroom and Other Reflections by a Computer Contrarian. According to the New York Times, Stoll suggests that “the computer skills needed by adults in the modern world are relatively few and easily learned … and hardly require a battery of computers in every classroom from kindergarten through 12th grade.”

Furthermore, some educators are rejecting gifts of technology and related services from corporations for a variety of reasons. This year the U.S. Senate passed the New Millennium Classrooms Act, to make donations of old computers to schools more attractive to businesses. By offering a tax credit to businesses of 30-50% of the equipment’s fair market value for hardware not more than three years old, the bill is intended to spur such donations to the nation’s schools. But the Consortium for School Networking, a school technology group, opposed the bill, stating that schools feel unduly pressed to take donations of older computers, even though they might be outdated, in poor repair, or incompatible with a school’s existing equipment. “Sometimes it takes just as much money to get them to function on the network as it would be to buy new equipment – and more effort,” one public school technology administrator told the New York Times.

Even the free new computers provided to schools by ZapMe! have sometimes proven unreliable. For example, in the Iberia, La., school district, four out of nine schools with ZapMe! had “persistent technical problems,” including a server that was down for months, intermittent Internet connections too unpredictable to schedule classes around, and inoperable computers that were not replaced by the company. Other problems encountered by schools across the nation included computers that arrived but went uninstalled for months and incorrectly adjusted satellite dishes. Connie H. Williams, library-media teacher at Kenilworth Junior High School in Petaluma, Calif., suggested that such problems must be expected if shortages of funds force schools to rely on “corporate America.” Schools have to “take the bad with the good,” Williams said.
Schools are also running into unanticipated difficulties presented by student use of free email accounts, such as those offered by Yahoo or Hotmail. School districts in Boston and Eugene, Ore., for example, have banned or restricted students’ use of these accounts on school computers because of security concerns (such as not being able to trace threatening messages sent between students) and the burdening of schools’ limited Internet access and server space. Schools in both districts are offering school-sponsored email accounts, which teachers note also improves communication with students because the school can maintain a master list of all students’ school email addresses. This trend might affect marketing efforts such as AOL’s new AOL@School, which will offer free email accounts to students (without providing Internet access, however), as well as instant messaging and filtered access to websites.

Overall, the number of citations describing Electronic Marketing in schools has been steadily increasing since 1995, a year commonly cited as the point in time when the Internet became a daily tool. Electronic Marketing is a category in which both the Advertising/Marketing and Businesses presses have demonstrated consistently high interest over the past decade. The steady appeal of the topic in publications dealing with commerce suggests that businesspeople recognized very early on the usefulness of technology in promoting their products in schools.

PRIVATIZATION

The number of articles relating to the privatization category increased 57 percent from 1998-99 to 1999-2000. (See Graph 7.) For a company to be included in the
search terms for this category, CACE uses a standard of management of five or more schools. In 1998-99, eleven companies met this standard for inclusion. In 1999-2000, 15 companies are included. The number of schools these “education management organizations” or “EMOs” are running also increased in the past year. CACE found 230 schools being managed by for-profit companies in 1999-2000, up from 135 in the previous school year.

The growth of the charter school movement and that of privatization of public schools are inextricably linked. Recent research has demonstrated that a significant portion of charter schools are managed by for-profit companies. A Booth Newspapers study of Michigan’s charter schools found that in 1997-98, 70% of the state’s charters were managed by EMOs. In Ohio, a review by the Akron Beacon-Journal in December 1999 showed that 16 of Ohio’s 48 charters, or one-third of the state’s total, were managed by for-profit companies. The EMO-managed schools, however, enrolled almost half (46%) of Ohio’s charter school students.

Nevertheless, a strong charter law does not guarantee that EMOs will offer their services in the state. Although California ranks second among the states in number of charter schools operating, EMOs only manage 3 percent the state’s charters. Asked why the level of for-profit management is relatively low in California, Sue Bragato of the California Network of Educational Charters replied: “MONEY. Low per pupil funding. Not enough profit.”

Education management companies argue that they can run public schools for the same amount of money per pupil as the school district, and still make a profit. They also state that they are accountable to the public because parents have the option of enrolling their children in another school if the charter school fails them. A smaller group of EMOs are publicly traded companies, representing another level of accountability, to shareholders. But news reports from the 1999-2000 school year suggest that these guarantees may be less than foolproof.

There appear to be many ways in which for-profit school management companies can increase their share of public funding. Edison Schools and the Sherman, Texas, school district mutually agreed to allow their five-year contract Edison’s first, to run Washington Elementary – to expire at the end of June, over financial and student achievement issues. Phillip Garrett, Sherman’s assistant superintendent for administration and instruction, expressed relief at the company’s departure, saying that the district spent $4 million on “hidden costs” involved in Edison’s operation of Washington and another Sherman school, Dillingham Intermediate. According to Garrett, these costs included expenses related to the double layer of administration at the schools (i.e., Sherman’s and Edison’s), and expenses for which Edison was to reimburse the district but which Sherman alleges the company did not, including education services for handicapped students and its portion of the superintendent’s salary. In addition,
according to the *Dallas Observer*, “when the company cut corners on maintenance, [David McConkey, Sherman’s assistant superintendent for business] directed the staff to work at Edison despite the company’s contractual responsibility. ‘This building belongs to the SISD taxpayers,’ he said. ‘We can’t afford for it to go downhill.’” Edison, for its part, says that it spent an extra $6.3 million on the Sherman schools.  

In Arizona, some for-profit charter school operators took advantage of a legislative loophole that allows charter schools sponsored by school districts to be reimbursed by the state for bus transportation costs on a per-mile basis, rather than on the per-student basis traditional public schools and state-sponsored charters receive. Since Arizona charter schools have no enrollment boundaries, students often travel greater distances to get to school, and the miles can add up to a lot of money. The Associated Press reported that the Tesseract Group’s for-profit charters received $4,400 per student in transportation reimbursements in the 1998-99 school year, compared with $174 per student that state-sponsored charter schools received that year. Although the legislature voted in 1998 to close the loophole, it did so with a two-year grace period which ultimately cost the state an estimated $30 million. Tesseract switched all its Arizona charter schools from state sponsorships to district-level ones in September 1999, apparently to profit from the loophole before it closed at the end of June 2000.

The inherent accountability to parents and taxpayers that education entrepreneurs and charter school proponents have described also seems fallible. In Austin, Texas, movers cleared out the premises of the Academy of Austin, a for-profit charter, in the middle of the night in November 1999. According to the *Austin American-Statesman*, children arrived the next morning ready for school only to find the classrooms nearly empty and their teachers packing up the remaining supplies. The school’s Michigan-based management company, Charter School Administrative Services, did not offer an explanation but simply informed the Texas Education Agency that the school was being closed at the end of December. A spokesman for the TEA told the newspaper that the state “cannot compel charter schools to complete the semester or the school year.”

Recent reports in Ohio and Michigan indicate that parents, community members, and the media find getting information on student achievement, spending, and other issues nearly impossible. In Michigan, a survey conducted by Booth Newspapers found that a majority of charters in the state failed to comply with information requests filed under the state Freedom of Information Act. After making requests for basic data such as teachers’ names and salaries, the newspaper group received partial or no responses from 94 of 176 charter schools (53%, compared with 5% noncompliance rate for a sample of 87 traditional public schools). According to the Associated Press, most of the refusals to respond were based on the argument that as a private employer, an EMO does not have to disclose information about their employees to the
The Leona Group, one of Michigan’s largest EMOs, filed a lawsuit in the state Court of Appeals in April on this point. In Ohio, an audit released in March 2000 by the state’s Legislative Office of Education Oversight reported that most of the state’s first 15 charter schools failed to demonstrate that they met their educational goals for their first year, didn’t explain how they evaluate student achievement, and didn’t provide parents with an annual report as required by law. Moreover, some officials have expressed concern that the relationships between charter school management companies and the schools’ independent governing boards seem too cozy. In Allentown, Pa., school board members rejected the proposed Mosaica-run Pinnacle Charter School, stating, “It is clear that Mosaica controls all aspects of the proposed Pinnacle operation. As such, it is a great concern of this administration and board that the proposed charter is merely a shell by which the for-profit Mosaica Inc. can profit from public monies.” Using similar language, Ohio state senator Leigh Herington commented on the close nature of White Hat’s proposed management of 14 charter schools: “We clearly thought for a long time that this was really a shell to get money to a profit organization. These are not arm’s-length transactions.”

The generous flexibility in some charter school laws allows conflicts of interest that would not be permissible in traditional public schools. In Ohio, the law permits members of a charter school’s governing authority (the school’s private board of directors) to have a financial stake in the school, to bypass the competitive bidding process to give contracts to friends or relatives, and to skip criminal background checks. On a larger scale, in Washington, Microsoft co-founder and billionaire Paul Allen promised charter school supporters in April that he would help finance a charter school initiative on the state’s November ballot, a donation likely to exceed $600,000. Jim Spady, the state’s most prominent charter activist, noted that although spending by teachers unions and others had killed previous charter legislation, “Obviously, you cannot outspend Paul Allen in a political race.” It might be money well-spent: Allen is a major backer of Edison Schools, having invested $30 million in the EMO. Allen also has organized strategic partnerships between his Apex Online Learning distance education company and Edison.

As the for-profit school management industry develops, the methods that these companies will use to ensure a profit become apparent. One method is hiring less experienced, and therefore less expensive, teachers. Ohio’s Legislative Office of Education Oversight reported in March that the average teacher in the state’s charter schools had 4.2 years of experience and earned $22,070, while those in the public schools had 14.8 years of teaching and earned $43,162. In Michigan, charter school teachers on average made 64% of what regular public school teachers made in the 1999-2000 school year. Mike Malone, Michigan
operations manager for the Leona Group, told the *South Bend (Mich.) Tribune* that in his company’s 21 Michigan schools, “about 80 percent of teachers are ‘virtually just out of [college]’.” The *Tribune* noted that “by contrast, the average age of all Michigan public school teachers is 45.”

Another significant personnel-related cost is retirement benefits. According to the National Council on Teacher Retirement, employer contribution to state teacher retirement funds can be as high as 18 percent of a teacher’s pay. The *(Salt Lake City) Deseret News* noted that one of the reasons Michigan has so many for-profit charter schools is that these schools are not required to participate in the state pension plan, saving their operators a great deal of money.

Since funding for charter schools is based on the number of students enrolled, for-profit charter operators must keep pressure on the schools to increase enrollment. A former teacher at Mosaic Education’s Saginaw, Mich., Mosaic Academy told a reporter that the company pressured teachers to maintain high enrollments. “There is a constant reminder of the [enrollment] numbers,” the teacher, Jamison Hardy, told the *(Allentown, Pa.) Morning Call*, “I think charter schools want the numbers. They’re in it for the money.” Advantage Schools had a lengthy disagreement over how large the student population could grow at its New Covenant Charter School in Albany, N.Y. The company wanted to be allowed to increase enrollment to 640 for the 2000-01 school year. Albany city and school district officials have pushed for a limit of 350, a more financially manageable number for the district, which must pay Advantage $8,898 per student.

Increasing class size helps reduce costs, too. An official with the Sherman, Texas, school district recounted that Edison Schools tried to circumvent the state limit of 22 students per teacher. “They says [sic], ‘No, no, we can get around that,’” the official told the *Dallas Observer*. “They really couldn’t believe it was a law. I had to show it to them.”

Another money-saving tactic is using distance education, because it can reduce personnel and curriculum development costs. In a May press release, Edison Schools announced the three-school pilot test of its EdLab, a “unique physical environment” which contains networked computers, large-screen video monitors, audio and videoconferencing equipment, and “teacher dashboards.” The last item is a piece of equipment that will “provide teachers with the capacity to keep track of the progress of each student.” Edison emphasizes that what sets the EdLab apart from other distance learning efforts is that “EdLab sessions are designed to provide new ways of delivering the core curriculum, not to supplement it.”

The EdLab represents an attempt to create a packaged curriculum for more efficient delivery: “We believe it has the potential to reduce teacher workloads by decreasing lesson preparation time and by removing certain administrative
demands. Further, we believe the consistency of our direct instruction can be improved by this approach. ... Should the pilot prove to be an academic and financial success, Edison plans to produce a range of EdLab learning modules for most subject areas and at most grade levels.”

Presumably, the EdLab will also allow a single teacher to provide direction to more than one Edison classroom at a time: “During the pilot period, fifth graders at the Edison sites will receive a portion of their regular science and Spanish instruction through traditional classroom teaching methods and, on alternating days, a portion of their instruction through video programming, online activities, and online homework.” Perhaps not coincidentally, science and foreign language teachers are often more expensive to employ because of the need for specialized certification or advanced degrees.

Among the other EMOs considering moving some or all of instruction into distance technology are Tesseract Group, which hopes to market its proprietary curriculum, and White Hat Management, which sought this past spring to create a “virtual school” for home-schooling families.

Edison Schools drew a great deal of attention with its November 1999 initial public offering of stock. The IPO received scathing write-ups in Business Week and in the online investment publication TheStreet.com. Both publications delivered two main criticisms: that it’s yet to be demonstrated that public school management can be profitable, and that the immediate beneficiaries of the stock offering would be founder Christopher Whittle and chairman Benno Schmidt. “The deal deserves to flunk,” wrote Diane Brady in Business Week. TheStreet.com concurred: “The deal’s a dog, and the only investors who stand to come out ahead in it will be wily Whittle and his boola-boola buddy, Benno Schmidt.” Even Bill Rojas, the former Dallas schools superintendent who promoted contracts with Edison in that city and in San Francisco, when asked by a reporter if he would invest in Edison replied, “I’m sticking with Janus Technology Funds.”

The critics appear to be right on both counts: Edison stock barely moved above its offering price of $18 on opening day, then slumped to $12 over the next couple of months. Reports of new contracts with schools across the country brought the stock back up in March and it has hovered in the $20-$25 range since. The New York Times reported a few days after the IPO that, at $18 per share, Whittle’s stock in the company was now worth $203 million; Schmidt’s were now valued at $16.7 million. The company, however, is still not profitable.

Edison was additionally called to task by the investment community for inflating the reported number of schools it manages and for the way in which it calculated school-level profitability. Christopher Byron, writing for TheStreet.com, also questioned Edison’s acceptance of gifts, like the $25 million Gap stores founder
Donald Fisher promised to sweeten Edison’s entry into the California market. “What exactly is this business that is attempting to sell stock on Wall Street while simultaneously holding itself out to be the moral equivalent of a public charity?” Byron asked.¹²⁶

Despite these questions, some investment commentators remain hopeful. According to Peter Stokes of EduVentures, an education industry research company, for-profit education, especially if it involves technology, is just picking up speed: “The explosion of the Internet is carrying it. Everyone on the investment side is looking for a business-to-business play. Education companies are just that. They’re business-to-business providers to schools.”¹²⁷

Other EMOs are entering the stock market as well. Advantage Schools is considering an IPO, and Nobel Learning Communities, a publicly traded company that previously ran only private schools, has recently joined in the charter school management business.¹²⁸

While investors and education industry watchers might be counting on Edison to prove the industry’s profitability, another bellwether, the Tesseract Group (formerly Education Alternatives, Inc.) has fallen on hard times. The first of the EMOs to be publicly traded, Tesseract was delisted in February by the Nasdaq board because the value of its stock had fallen to pennies per share, from a high of $48.50 per share in 1993.¹²⁹ The company’s CEO position changed hands twice in the first months of 2000 and its chief financial officer resigned.¹³⁰ Tesseract also sold two of its charter schools and its business college in the past year, and its private academies may be in jeopardy.¹³¹

Privatization was one of only two categories of commercializing activity (with Fundraising) that caught the attention of the Education press. In addition, there was a spike in the number of citations in the Business press on this topic in 1999-2000, perhaps due to the attention paid to Edison Schools’ stock offering and the financial difficulties of Tesseract.

FUNDRAISING

Fundraising is a new category for CACE’s monitoring efforts, although the activity is well established. As many PTA members will explain, fundraising comprises the majority of their school-related service. Fundraising is also a very important entry point for commercializing activities in schools; through it, companies can market to children, teachers, and their families by donating their products for sale or auction, by enlisting school children to be sales agents for their products, or by making financial contributions to schools when members of the school community purchase particular products or view advertising.

Because the 1999-2000 school year is the first year CACE has conducted database searches on fundraising, there are no comparative data from prior
years of this study. However, searches on terms describing school fundraising returned the largest number of citations of any category (1,772), suggesting that it is an important commercializing phenomenon.

Schools are always looking for fundraisers that will bring in the most money with the least effort. This year a number of companies capitalized on that wish by offering e-commerce websites that give a commission to schools when their supporters shop at the site. For example, SchoolCash.com gives a shopper’s designated school a commission of 3 to 25 percent of the purchase price when the shopper buys a product from vendors such as Eddie Bauer, JC Penney, Avon, Tower Records, and the Disney Store. Rebates at similar websites, such as Schoolpop.com, 4mycommunity.com, and Shopforschool.com, range between 1 and 30 percent.\textsuperscript{132}

In order to fully realize the potential of online fundraising, schools are required to do more than just wait for the money to roll in, however. Schoolpop offers participating schools a marketing kit that includes “banners, posters, flyers and letters to help communicate the program,” and a Schoolpop staff member is available to assist in developing “a simple plan to reach your full community of potential shoppers.” When the Guy B. Phillips Middle School joined SchoolCash.com, a sign was hung on the outside of the school reading, “Shop at school[cash].com and raise $ for Phillips.” The principal of Lincoln Elementary School in New Britain, Conn., commented, “They are very aggressive marketers, and I have used my discretion in how much of that I've participated in. If I did everything Schoolpop.com would like you to do, I think it steps over the line. It gets pushy.”

In its promotional materials, Schoolpop.com estimates that a school with 100 people shopping in its support can net $3,060 per year.\textsuperscript{133} Early returns, however, appear to be more modest. Durant Road Elementary School in Raleigh, N.C., earned about $25 in its first six months of participation in Schoolpop.\textsuperscript{134} Cloonan Middle and Roxbury Elementary Schools in Stamford, Conn., received $420 from Schoolpop between late 1999 and May 2000.\textsuperscript{135} “A highly organized school can really do well,” Carl Sangree, financial consultant to SchoolCash.com told the \textit{Asbury Park Press}, indicating that the company had issued checks of up to $500 but that most schools typically receive less than $100.\textsuperscript{136} Tim Walsh, president of Shopforschool, told \textit{Technology and Learning}, “We’ve tried to set realistic expectations, about $250-plus per school per year. But over the next few years, it's going to move fast, like the Internet.”\textsuperscript{137}

In the meantime, schools have not abandoned the more traditional fundraisers such as car washes, bake sales, book fairs, and candy and giftwrap sales. Label collection programs such as Campbell’s Labels for Education and General Mills’ Box Tops for Education remain popular. Many retailers and grocers run rebate programs, such as that of Target Stores, which gives one percent of each sale paid with a Target-affiliated credit card to the school of the shopper’s choice. And
according to the Association of Fund Raisers and Direct Sellers, in 1999 fundraising sales of candy bars, giftwrap, and other products, netted more than $1.7 billion, with schools getting 88 percent of that amount.\(^{138}\)

**CONCLUSION**

The total number of press citations found in CACE's database searches increased 23 percent between 1998-99 and 1999-2000.\(^{139}\) (See Graph 8.) Based on the evidence presented here, commercial activities in schools appear to be continuing the upward trend observed throughout the 1990’s. Furthermore, the growing interconnection of schoolhouse commercializing activities suggests that marketers are attempting to create a seamless ad environment that surrounds children in and out of school.

As suggested by the report’s title, the drive to put technology in schools appears to be opening new channels for commercial activity in school. Given the prevailing belief that technology enhances learning, commercialized offers tied to computers and other equipment and services are generally accepted with enthusiasm. The high costs of such equipment makes it very difficult for school administrators to say no to any associated “strings,” such as ad-bearing web portals or the tracking of students’ web surfing habits. As new technologies with
school-related applications develop, marketing activities exploiting those technologies should be expected.

The Internet has enabled companies to extend a school-based marketing effort into the home quickly. While web services such as FamilyEducation.com use the offer of free school home pages to pitch financial services and mortgages to visiting parents, others, like SportsCapsule.com, take advantage of the geographically scattered nature of the modern family to sell virtual high school sporting events. Although directly marketing to kids in school is beneficial to a company’s sales, the Internet has made it possible to get the whole family into the bargain and this phenomenon can be expected to continue.

Another significant development that can be anticipated to increase in the near future is the involvement of students as agents in the commercialization of schools. In-school market research, the use of school property and student time to test products and gather information on shoppers’ habits, represents a curious transformation of the “student-as-consumer” into the “student-as-laborer.” A similar dynamic is apparent in the sports website services (discussed in the Electronic Marketing section) which use student volunteers to produce videos of sporting events which are then sold by the website hosting company.

In spite of the apparent increase in commercial activity in schools, signs of disenchantment are beginning to emerge. Actions such as the Madison, Wis., school district’s termination of its contract with Coca-Cola may represent an evolving backlash against school commercialism. Increasing attempts at the local, state, and federal levels to regulate or ban certain types of commercial activities in schools are another indication of a developing public awareness of potential negative consequences of such activities. Nevertheless, even as regulatory systems are created, some companies are altering their business models, as ZapMe! claims to have done (see Electronic Marketing); and others are using various means to get around the restrictions, as Tesseract did with the Arizona busing law (see Privatization).

It remains to be seen if policy makers will ultimately develop effective responses to the intensifying commercial assault on the schools. For the foreseeable future, however, it is likely that school commercialism will continue to increase both in the variety of its expressions and in its intensity.

APPENDIX

Sources, Search Strategies, and Search Terms

Sources

Popular Press Citations: To compile this data, the Lexis-Nexis “News” Library “All News” File was used. According to the Lexis-Nexis Directory of Online
Services, the “News” Library contains a wide selection of “newspapers, magazines, journals, newsletters, wire services and broadcast transcripts.”

**Business Press Citations:** To obtain the business press citations, the Lexis-Nexis “Business and Finance” Library “All News” File was used. The Business and Finance Library contains a wide variety of sources that provide business and finance news including business journals and investments and merger acquisition news sources. ([Lexis-Nexis Directory of Online Services](lexisnexis.com))

**Advertising/Marketing Press Citations:** The Lexis-Nexis “Market” Library “All News” File was used to compile this data. This library includes “an extensive variety of publications covering advertising, marketing, market research, public relations, sales and selling, promotions, consumer attitudes and behaviors, demographics, product announcements and reviews.” ([Lexis-Nexis Directory of Online Services](lexisnexis.com)).

**Education Press Citations:** To compile this data, the H.W. Wilson Education Index was used. Education Index, according to the vendor description on the company’s web site, indexes more than 400 English-language periodicals and yearbooks, covering all levels and aspects of education.”

**Search Strategies**

In the development of the search terms used in this report, a number of different words and phrases were tested for their value in identifying relevant citations. The terms used to retrieve the citations described in this report are groups of words broad enough to include the various permutations of an idea (such as in Graph 2, “exclusive sale*” or “exclusive deal*” or “exclusive agreement*,” etc.) but narrow enough not to pull up irrelevant citations.

An example of the evolution of one set of search terms, those for Sponsored Educational Materials (Graph 5), will illustrate the process. At first, the following set was used:

- sponsored lesson or sponsored material* or sponsored curricul! or sponsored teaching aid

After reviewing the initial citations, the list was expanded to include a few other common variations of the terms, such as adding an asterisk to “sponsored lesson*” (the asterisk indicating that any variation on the word ending should be counted, i.e., “lesson” or “lessons”) and adding the phrase “sponsored education* material*.” It was also noted that Education Index has a subject heading for “sponsored teaching aids,” but not “sponsored teaching aid,” so an asterisk was added to that phrase, to get “aid” and “aids,” thereby increasing the number of relevant citations found.
In conducting searches for this year’s report in the Lexis-Nexis databases, it was discovered that in previous years researchers made an error in the use of a wild card operator, the asterisk. In previous years’ searches, it was assumed that, when used in place of letters in a search term, the asterisk represented any number of letters. For example, a search term such as “advertis*” was assumed to return all words beginning with “advertis” including “advertisement,” “advertising,” etc. However, in Lexis-Nexis databases, the asterisk may only represent a single letter (meaning that in the example just mentioned only the word “advertise” is possible); to represent more than one letter, an exclamation point must be used. Test searches were conducted to determine how significant this error was to the results, and it was decided that the results were not substantially changed. The searches most affected were Exclusive Agreements and Sponsored Educational Materials; in both cases, the ultimate result of the error was to understate slightly the prevalence of the activity in schools. The error has been corrected in this year’s search terms.

The names of some of the major producers of sponsored educational materials, such as Scholastic and Lifetime Learning Systems, were searched on. However, depending on how the search was phrased, their inclusion either led to a greater number of irrelevant citations (such as mentions of Scholastic’s other products), or to a restriction of citations to only those that featured mentions of both sponsored educational materials and one of the companies’ names. For this reason it was decided not to include the company names in the searches.

Because the arena of schoolhouse commercialism is rapidly expanding, many additions to the search terms used in the first CACE trends report (published in 1998) were considered for the present report. Those additions that were considered include recently founded companies involved in one of the areas of schoolhouse commercialism, updated names for existing companies, new marketing programs aimed at schools, and additional categories of activity.

Sampling was used in this year’s report to estimate popular press results for two categories, Sponsorship of Programs and Activities and Fundraising, due to the large numbers of citations returned in searches for each (2,534 and 1,810 citations, respectively). Approximately 20 percent of the citations for each category were reviewed for relevance, and a relevancy rate was determined (48% for Sponsorship of Programs and Activities, and 82% for Fundraising). The rate was applied to the total number of popular press citations returned, resulting in an estimated 1,216 citations related to Sponsorship of Programs and Activities, and 1,484 citations discussing Fundraising. All other results in all other categories and in all other presses were determined by review of each article returned in a search.

**Search Terms**
In the first annual report on schoolhouse commercializing trends (published in 1998), the calendar year (1 January through 31 December) was used. In 1999, the time period covered by the annual report was shifted to a 1 July through 30 June year to allow for the data in the report to be as current as possible at the start of the school year.

Terms for Popular, Business, and Advertising/Marketing Presses

Search 1-2000
((corporate sponsor!) or (school business relationship) or (sponsor! school activit! or sponsor! school program* or sponsor! school event*) or (School Properties Inc) and (primary or elementary or grammar or intermediate or junior or middle or secondary or high w/1 school*)) and date(aft 6/30/99 and bef 7/1/2000)

Search 2-2000
(DD Marketing) or (exclusive sale* or exclusive contract* or exclusive deal* or exclusive agreement* or exclusive partner! or exclusive pour! right or exclusive soft drink agreement* or exclusive sneaker agreement* or exclusive sport* apparel agreement*) and (primary or elementary or grammar or intermediate or junior or middle or secondary or high w/1 school*) and date(aft 6/30/99 and bef 7/1/2000)

Search 3-2000
(incentive program*) or (Pizza Hut and Book It!) and (primary or elementary or grammar or intermediate or junior or middle or secondary or high w/1 school*) and date(aft 6/30/99 and bef 7/1/2000)

Search 4-2000
(CAPS(Cover w/1 Concepts) or CAPS(School Marketing Partners) or CAPS(Planet Report) or (advertis! w/3 (primary or elementary or grammar or intermediate or junior or middle or secondary or high w/1 school*) and not (position* or job* or vacanc!)) and date(aft 6/30/99 and bef 7/1/2000))

Search 5-2000
(sponsor! education! material* or sponsor! teaching aid* or corporate sponsor! material* or sponsor! curricul! or education kit* and (school* or classroom*)) and date(aft 6/30/99 and bef 7/1/2000)

Search 6-2000
(Channel One) or (Star Broadcasting) or (Family Education Network) or (ZapMe) or (Youth News Network) or (YNN) and (primary or elementary or grammar or intermediate or junior or middle or secondary or high w/1 school*) and date(aft 6/30/99 and bef 7/1/2000)
Search 7-2000
CAPS((Advantage Schools) or (Beacon Educational Management) or (Charter Schools Administrative Services) or (Charter Schools USA) or (Crawford First Education) or (Designs for Learning) or (Edison Schools) or (Edison Project) or (Excel Education Centers) or (Helicon Associates) or (Leona Group) or (Mosaica Education ) or (National Heritage Academies) or (SABIS Educational Systems) or (TesseracT Group) or (White Hat Management)) and date(aft 6/30/99 and bef 7/1/2000)

Search 8-2000
(Apples for the Students) or (Campbell's Labels for Education) or (Box Tops for Education) or ((grocery or supermarket or food store or cash register receipt and redeem*) and (primary or elementary or grammar or intermediate or junior or middle or secondary or high w/1 school*)) or (school* fundrais!) and date(aft 6/30/99 and bef 7/1/2000)

Terms for the Education Press

To search the H.W. Wilson Education Index, the following terms were used. The terms vary somewhat from those used in the other three presses because Education Index searches on a set standard Library of Congress of subject headings. In addition, due to the fact that the database is already limited to articles on the topic of education, the use of limiters such as “educational” or “school” is often not necessary.

Furthermore, the Education Index only permits searches with calendar-year date restrictions. To determine which articles were published in the 1999-2000 school year, searches for the full 1999 and 2000 calendar years were conducted and then the citations were sorted manually into the 1 July 1999 – 30 June 2000 time period.

Search 1: Sponsored Activities

(((School Properties Inc) or (corporate sponsored) or (corporate sponsorship)) and not (college* or universit*)) and (py=xxxx)

Search 2: Exclusive Agreements

(((sneaker* or Reebok or Nike or Adidas or athletic wear or athletic apparel or sports wear or sports apparel) and school*) ) not (college* or universit*)) and (py=xxxx)

and
Search 3: Incentive Programs

((incentive program*) or (Pizza Hut and Book It!)) and (py=xxxx)

Search 4: Appropriation of Space

((Cover Concepts) or (School Marketing Partners) or (Planet Report) or (advertis* and school*) and not (Channel One)) and (py=xxxx)

and

(propaganda and school*) and (py=xxxx)

Search 5: Sponsored Educational Materials

((sponsored education* material* or sponsored teaching aid*) or (sponsored lesson* or sponsored curricul*)) and (py=xxxx)

Search 6: Electronic Marketing

((Channel One or YNN or Youth News Network or Family Education Network or ZapMe or Star Broadcasting)) and (py=xxxx)

Search 7: Privatization

((Advantage Schools) or (Beacon Education Management) or (Charter Schools Administrative Services) or (Charter Schools USA) or (Crawford First Education) or (Designs for Learning) or (Edison Schools) or (Edison Project) or (Excel Education Centers) or (Helicon Associates) or (Leona Group) or (Mosaica Education) or (National Heritage Academies) or (SABIS Educational Systems) or (Tesseract Group) or (White Hat Management)) and (py=xxxx)

Search 8-2000: Fundraising

((Apples for the Students) or (Campbell's Labels for Education) or (Box Tops for Education) or (grocery or supermarket or food store or cash register receipt and redeem*) or (school* fundrais!)) and (py=xxxx)

and
(money raising campaign*) and (py=xxxx)

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7 DotComGuy Inc. [cited 5 July 2000].
8 Budd, Lawrence. “Just Whose Game Is This? Selling in New Arena.” Dayton Daily News, 3 September 1999, 1A.
21 Snyder, Susan. “School Board Scuttles Deal with Coke.” Philadelphia Inquirer, 8 February 2000, B1; and Davila, Erika.
26 Erickson, Doug. “Madison District Debates Ramifications of Coke Windfall.” Wisconsin State Journal, 11 September 1999, 1A.
31 Louey, Sandy. “Wylie District, Dr Pepper Settle Suit.” Dallas Morning News, 19 January 2000, 1R.
33 “Fizzy Deal: When Schools Sign Contracts with Soda Makers They May Be Giving Up More than They Realize,” (St. Louis, Pa.) Intelligence Journal, 27 November 1999, A12.
34 Whelan, Jeff. “They’ll Soon Know the Score at Eccleston Field,” Providence Journal-Bulletin, 15 October 1999, 1C.
41 “Georgia Stay-in-School Project Awards Big Prizes.” Chattanooga (Ga.) Times, 17 May 2000, B5.
42 Davis, Lisa A. “Students Rewarded at “Mall.”” Tampa Tribune, 6 May 2000, 3.
48 Mortensen, Kathleen. “Boise Principal Shorn of Locks to Promote Reading.” Idaho Statesman, 24 March 2000, 2B.
48 Rice, Harvey. “Popular Principal Retires After 22 Years at Elementary’s Helm.” Houston Chronicle, 3 November 1999, 1.
61 “Tw eens Say Cheese: Kodak Turns the Camera on Girls,” Promo, 1 August 1999.
63 Stivener, Knight. “Schools Partner with Businesses.” Tennessean, 11 December 1999, 1B.
64 “Springfield Platteview to Have Ads in Gym,” Omaha World-Herald, 8 May 2000, 16.
78 “VarsityOnline Expands.” Citybusiness, 21 April 2000, 5.
Lessons on Profitability (or the Lack Thereof) from Edison Schools

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Bragato, Sue. Electronic mail to Jennifer Morales, CACE, CACE, 10 July 2000.


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139 The citations returned in the Fundraising category were not included in this comparison because 1999-2000 was the first year in which searches were conducted on that category.