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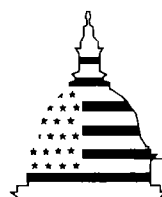
United States General Accounting Office

Report to Congressional Requesters

September 2000

PUBLIC EDUCATION

Commercial Activities in Schools



G A O

Accountability * Integrity * Reliability

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United States General Accounting Office
Washington, D.C. 20548

Health, Education,
and Human Services Division

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September 8, 2000

The Honorable Christopher J. Dodd
United States Senate

The Honorable George Miller
House of Representatives

Commercial activities in U.S. public elementary and secondary schools have been growing in visibility throughout the last decade, a period characterized by tightened school budgets. As visibility has increased, so have concerns about commercial activities that generate cash, equipment, or other types of assistance and their potential effects on students' learning and purchasing behavior. Commercial activities include (1) the sale of products, (2) direct advertising—for example, advertisements in school corridors or on school buildings, (3) indirect advertising—for example, corporate-sponsored educational materials or teacher training, and (4) market research. Despite the increasing concerns, little is known about the laws and policies that govern commercial activities and the nature of these activities in schools throughout the United States. In this context, you asked us to (1) identify laws, regulations, and policies that regulate commercial activities in schools and (2) describe the nature and extent of these activities. To do this work, we reviewed state laws and regulations, gathered detailed information during site visits to 19 elementary and secondary schools in seven school districts in three states, reviewed reports about commercial activities, and interviewed representatives of national education and business organizations. (See app. I for details on our methodology.) We performed our work from November 1999 through August 2000 in accordance with generally accepted government auditing standards.

Results in Brief

State laws and regulations governing commercial activities in public schools are not comprehensive. Nationwide, only general laws and regulations that apply to all businesses or that govern school finance usually cover school-based commercial activities. However, 19 states currently have statutes or regulations that address school-related commercial activities, but in 14 of these states, statutes and regulations are not comprehensive and permit or restrict only specific types of activities. For example, New Mexico law permits advertising on and in school buses,

while Virginia regulations prohibit school bus advertising. Of the five states with comprehensive laws, two have laws that permit local officials to set policies covering various types of activities and three have laws that prohibit or limit various types of commercial activities. Therefore, in most states, local school officials are responsible for making decisions about commercial activities.

No single source of information about local school board policies exists, and policies varied greatly in the districts we visited. Although policies on product sales in the districts we visited varied, most pertained to traditional fundraising activities, such as short-term candy or gift-wrap sales, that are sponsored by parent-teacher organizations, booster clubs, or student groups rather than to the sales covered by exclusive contracts that prohibit schools from selling products of competitors, such as soft drink contracts. Policies on direct advertising also differed, with some school boards delegating responsibilities for these activities to the superintendent or building principal. While some of the districts we visited had policies regarding indirect advertising in curricula or contests, others lacked formal guidance. We found no policies that specifically addressed market research activities. However, in some of the districts we visited, more general policies, such as those requiring the superintendent to approve student surveys and questionnaires, may serve to regulate at least some of these activities.

The visibility, profitability, and type of commercial activities varied widely, and the high schools we visited had more commercial activities than middle or elementary schools. Overall, we found the following:

- Product sales—primarily the sale of soft drinks by schools or districts under exclusive contracts and short-term fundraising sales—were the most common and lucrative type of commercial activity at the schools we visited, although they represented a very small percentage of the districts' budgets.¹
- The most visible examples of direct advertising appeared on soft drink vending machines and high school scoreboards. Although some high school sports facilities displayed banners and signs with the names of businesses that had contributed to sports programs, several placed these signs to acknowledge donations rather than in exchange for them.

¹In Grand Rapids, Mich., for example, the soft drink contract guaranteed the district a minimum of \$30 per student, or about .4 percent of the district's budget of \$206 million.

Advertisements were delivered through the media in some schools. For example, schools in two districts had contracts with Channel One, a company that provides free televisions and videocassette recorders to schools that agree to air its news show and commercials, and two schools had signed up with ZapMe!, a company that provides free computer equipment and delivers ads through the Internet. Officials from participating schools said the benefits of having free technology outweighed any negative aspects of the advertisements that were shown. Officials from other districts, however, had decided not to participate in such programs.

- We observed indirect advertising in all the schools, yet its presence was usually limited and subtle. For example, the teachers we spoke with either used corporate-sponsored curricula only for specific purposes and for limited periods of time, such as for teaching a unit on dental hygiene, or did not use them at all.
- None of the schools we visited reported engaging students in market research, although one principal said he had been approached about doing research.

Often the values of school board members, district officials, and parents determine whether an activity is controversial or not, rather than the nature of the activity. Because most of the decisions are made at the local level, varying preferences of local officials result in different levels of commercial activities across districts and across schools in the same districts.

Background

Spurred by limited budgets, an increased demand for educational services, and the growing purchasing power of American youth, schools and businesses have entered into a wide variety of commercial arrangements. Although the types of arrangements vary, their purposes are similar. In general, schools want cash, equipment, or other assistance in providing services and technology during a period when revenues from traditional tax sources are, for many school districts, essentially flat. Businesses want to increase their sales, generate product loyalty, and develop climates favorable to their products, although some businesses are involved with schools primarily to help local communities.

Although American schools have historically engaged in product sales and advertising, commercial activities in today's schools are more noticeable and are moving in new directions. The use of corporate-sponsored instructional materials can be traced back to at least 1890, when a paint

company developed a handout on primary and secondary colors for schools to distribute in their art classes. In-school marketing has become a growing industry. Some marketing professionals are increasingly targeting children in school, companies are becoming known for their success in negotiating contracts between school districts and beverage companies, and both educators and corporate managers are attending conferences to learn how to increase revenue from in-school marketing for their schools and companies. Advertisements in schools—once found largely only in print and at sports facilities—are now on electronic message boards, televisions, and computers (see fig. 1). Commercial activities can be classified into four categories, as shown in table 1.



Ad on School Bus Stop

Table 1: Categories of Commercial Activities

Activities	Examples
Product sales	
Product sales benefiting a district, school, or student activity	• Exclusionary contracts or other arrangements between district consortia, school districts, or schools and bottlers to sell soft drinks in schools or on school grounds • Contracts or other arrangements between districts or schools and fast food companies to sell food in schools or on school grounds • Contracts or other arrangements between districts or schools and companies providing school pictures, yearbooks, class rings, caps and gowns, or gym uniforms
Cash or credit rebate programs	• Programs that award cash or equipment to schools in proportion to the value of store receipts or coupons collected by the schools • Credit or shopping card programs that award a percentage of the amount of customer charges to a school designated by the customer • Internet shopping programs that donate a percentage of a customer's charges to a designated school
Fundraising activities	• Short-term sales of candy, magazines, gift wrap, cookie dough, concession items, and the like by parents, students, or both to benefit a specific student population or club
Direct advertising	
Advertising in schools, in school facilities, and on school buses	• Billboards and signs in school corridors, sports facilities, or buses • Product displays • Corporate logos or brand names on school equipment, such as marquees, message boards, scoreboards, and backboards • Ads, corporate logos, or brand names on posters, book covers, and student assignment books
Advertisements in school publications	• Ads in sports programs, yearbooks, school newspapers, and school calendars
Media-based advertising	• Televised ads aired by Channel One or commercial stations • Computer-delivered advertisements by ZapMe! and commercial search engines • Ads in commercial newspapers or magazines
Samples	• Free snack food or personal hygiene products
Indirect advertising	
Corporate-sponsored educational materials	• Dental hygiene units that provide toothpaste and toothbrush samples and display brand names • Materials on issues associated with particular industries that are developed by those industries, such as ecology units produced by oil and plastic companies and safety units produced by insurance companies • Materials that promote industrial goals, such as energy conservation materials produced by power companies and nutritional information produced by dairy or meat associations
Corporate-sponsored teacher training	• Training by computer or software companies on the use of hardware or software systems that they sell • Training by companies on general subjects, such as management techniques or creativity
Corporate-sponsored contests and incentives	• McDonald's poster contests, Pizza Hut's Book-It program, Duracell Battery Company's invention contest
Corporate grants or gifts	• Corporate gifts to schools that generate commercial benefits to the donor
Market research	
Surveys or polls	• Student questionnaires or taste tests
Internet panels	• Use of the Internet to poll students' responses to computer-delivered questions
Internet tracking	• Tracking students' Internet behavior and responses to questions at one or more Web sites

Source: GAO analysis.

Distinguishing between commercial and noncommercial activities can be difficult because commercial activities are an intrinsic part of U.S. society. Not all ventures between schools and businesses are totally commercial: Many businesses donate cash or assistance to schools for philanthropic purposes, yet these donations may have commercial payoffs. For example, a business may donate cash or equipment to schools for altruistic purposes but may also mention this support in its advertising and use this donation as a tax deduction. Local school officials, parents, and others, including the U.S. Department of Education, applaud businesses that support schools, often without commercial motivation, by donating free or low-cost goods and services. However, many individuals are concerned about the potential effects of lost instructional time and biased materials on students when companies provide goods, services, or money to schools in return for access to students for sales, advertising, or market research purposes.

Because advertising is ubiquitous in America, it is difficult—if not impossible—to distinguish between the effects of advertising to which students are exposed inside and outside of school. Many displays of corporate logos and brand names in schools—such as those emblazoned on students' clothing, sports uniforms, crayons, and milk cartons—yield no tangible commercial benefit to the schools, although they do yield benefit to the advertiser. Advertisements are also pervasive on the Internet. Not only are ads a part of many products, but they are often seen as status symbols, decorations, and even art. Because of this, students and teachers often display advertisements, such as posters, on walls for stylish or aesthetic purposes, rather than commercial purposes.

Certain commercial activities—large soft drink contracts, electronic advertising in classrooms through Channel One or ZapMe!, sports uniforms emblazoned with corporate logos, and market research conducted by tracking students' Internet behavior—have received extensive media coverage, and several groups organized to limit commercial activities in schools have received national attention. Furthermore, some Members of the Congress have raised concerns about commercial activities in schools and possible infringements of students' rights to privacy. Congressional hearings have been held² and legislation has been drafted³ to explore and deal with these issues.

State and Local Laws and Policies Vary

Although commercial activities in schools are covered by general federal and state laws that apply to all businesses or that govern school finance, we identified 19 states that currently have statutes or regulations targeting specific commercial activities in schools. In 14 of these states, laws are not comprehensive and pertain only to some types of activities; in some states, laws prohibit or restrict activities, while in other states, laws authorize activities. For example, of the states we visited, California laws restrict many commercial activities, Michigan laws do not address commercial activities, and New Mexico laws allow advertising in and on school buses. As a result of this piecemeal approach to regulation, in most states, local school boards have the authority to make policy decisions about commercial activities or to delegate these decisions to district officials. In the districts we visited, local school board policies differed in terms of the number and types of activities they addressed, but most delegated responsibility to superintendents and principals, who often make decisions on a case-by-case basis.

²The Senate Committee on Health, Education, Labor, and Pensions heard testimony about Channel One on May 20, 1999.

³H.R. 2915, introduced in the House of Representatives on Sept. 22, 1999, and S. 1908, introduced in the Senate on Nov. 10, 1999, seek to protect children from commercial exploitation by protecting student privacy. Both bills (1) prohibit programs from using funds authorized under the Elementary and Secondary School Act to allow a third party to monitor, receive, or gather information intended for commercial purposes from any student under 18 years of age without parental consent and (2) require schools, local educational agencies, or state agencies to inquire if an individual or organization intends to gather or store information on students and to determine the nature of the information to be gathered; how the information will be used; whether the information will be sold, distributed, or transferred to others; and how much class time, if any, will be consumed by such activities before entering into a contract with the individual or organization.

States' Statutes and Regulations Differ in Purpose and Comprehensiveness

Nationally, 19 states have statutes or regulations targeting commercial activities in schools, but the specifics of the statutes vary.

- Laws and regulations in seven states cover product sales. For example, Florida law permits school boards to establish policies about fundraising, while New York law prohibits commercial activities on school grounds.
- Laws and regulations in 18 states address direct advertising. In eight of these states, laws pertain to advertisements on or in school buses and on bus shelters: laws in seven states permit school bus advertising, with restrictions, but laws in one state prohibit it.
- Laws in only two states address indirect advertising in schools. California law prohibits schools from using instructional materials containing commercial advertisements unless local school boards comply with state-mandated procedures, while North Carolina law allows the use of such materials.
- State educational codes do not target school-based market research, but student privacy laws prohibit many activities, such as selling students' names and addresses, that fall under this category.

The level at which decision-making about commercial activities takes place also varies by state. For example, Florida, Illinois, and Maine laws place responsibility for decision-making at the local level, but California and New York laws prohibit or restrict districts from engaging in many types of commercial activities. However, in most of the states that have them, such laws pertain to specific categories of activities (see table 2).

Table 2: State Statutes and Regulations Targeting Commercial Activities in Schools

State	Statute/ regulation	Product sales	Advertising		Market research
			Direct	Indirect	
Arizona	Statute		Permits advertising on school buses under certain restrictions		
California	Statute	Allows school boards to negotiate contracts granting exclusive rights to sell carbonated beverages under certain restrictions	Allows school boards to negotiate contracts granting exclusive advertising rights and the dissemination of ads electronically under certain restrictions	Prohibits state and local school boards from adopting instructional materials that provide unnecessary exposure to brand names, products, or company logos	
	Regulation	Allows minors under 16 to engage in door-to-door sales under certain restrictions			
Florida	Statute	Permits school boards to set policies regarding fundraising	Permits school boards to set policies regarding advertising	Permits school boards to set policies regarding advertising	
Illinois	Statute	Requires all solicitations to be approved by the superintendent	Requires advertising to be approved by the superintendent	Requires advertising to be approved by the superintendent	
Kansas	Statute		Permits student editors to determine advertising content in student publications		
Louisiana	Statute		Permits donor decals on school buses to acknowledge donations of cellular telephone service		
Maine	Statute	Permits school districts to raise money for their benefit	Permits school districts to raise money for their benefit	Permits school districts to raise money for their benefit	Permits school districts to raise money for their benefit
Maryland	Statute		Permits advertising on school bus shelters under certain restrictions		
Minnesota	Statute		Permits advertising on school buses under certain restrictions		

(Continued From Previous Page)

State	Statute/ regulation	Product sales	Advertising		Market research
			Direct	Indirect	
Mississippi	Statute		Authorizes school boards to offer protective textbook covers to commercial entities for advertising		
Nevada	Statute		Permits advertising on and in school buses		
New Mexico	Statute and regulation		Permit advertising on and in school buses		
New York	Regulation	Prohibits commercial activities on school premises but permits commercial sponsorships of school activities	Prohibits commercial activities on school premises but permits commercial sponsorships of school activities	Prohibits commercial activities on school premises but permits commercial sponsorships of school activities	Prohibits commercial activities on school premises but permits commercial sponsorships of school activities
North Carolina	Statute		Requires that materials presented during the school day relate to the curricula	Permits school boards to adopt books containing commercial advertising	
North Dakota	Statute	Requires school boards to approve fundraising involving students			
Rhode Island	Statute	Prohibits teachers from engaging in commercial activity unless activity is authorized by the state department of education	Prohibits teachers from engaging in commercial activity unless activity is authorized by the state department of education	Prohibits teachers from engaging in commercial activity unless activity is authorized by the state department of education	Prohibits teachers from engaging in commercial activity unless activity is authorized by the state department of education
Tennessee	Statute and regulation		Require schools to adopt policies regulating school bus advertising and restrict the size, location, and appearance of school bus advertisements		
Texas	Regulation		Permits commercially sponsored high school athletic programs		
Virginia	Regulation		Prohibits advertising on and in school buses		

Source: GAO analysis.

Policies of School Governing Boards Vary

Because most states do not regulate commercial activities in schools or have laws that govern many of these activities, applicable policies and practices are usually locally based. Although no central source of information on school policies exists, discussions with representatives of national education associations and other experts indicate that policies across districts are not consistent and that many school boards place responsibility for decisions about commercial activities with school officials.⁴

In the school districts we visited, both written and unwritten policies are used in making decisions about commercial activities. For example, written policies in these districts do not prohibit market research activities such as taste tests or product preference polls. However, none of the schools we visited participate in them because district and school officials and school board members believe these activities are inappropriate. In these districts, school boards' written policies vary considerably, do not address all types of commercial activities, and generally delegate responsibility for many decisions to superintendents and principals. (Written policies are summarized in tables 4 through 7, app. II.)

Product Sales

Policies in six districts assign responsibility for approving fundraising activities to the superintendent or his or her designee, a principal, or both and in three districts place limits on these activities by restricting door-to-door sales and limiting the number or length of fundraisers. However, most policies leave decisions to the discretion of school officials.

Direct Advertising

Policies in five districts identify the school official responsible for approving some types of direct advertising. Four delegate this responsibility to the superintendent, and one delegates it to the superintendent and, in some cases, the principal. Although several policies address coupon distribution and ticket sales, none are targeted toward newer forms of media-based advertising, such as those delivered by Channel One and ZapMe!

⁴The associations we spoke with include the National School Boards Association, the Association of School Business Officials International, and various centers and organizations concerned with commercial activities in schools.

Indirect Advertising

Policies in five districts restrict advertising in commercial instructional materials, and policies in two restrict contests or exhibits.

Market Research

None of the districts have policies that specifically address market research, taste tests, or product trials. Two districts have policies requiring all surveys and questionnaires that address students and families to be approved by the superintendent, and two districts require the same for surveys and questionnaires that address students and staff. However, we found no policies that apply to activities such as Internet shopping games or contests, which require the disclosure of personal information.

**Commercial Activities
Are Widespread, but
Nature and Intensity
Vary**

Commercial activities in the 19 schools we visited have been increasing in visibility, but their type, frequency, and monetary value vary widely. We found examples of commercial activities in all the schools we visited, although high schools had more commercial activity than elementary or middle schools. Also, in many schools, returns from longer-term contracts have outpaced returns from short-term product sales. At all the schools, product sales were very lucrative and the most prevalent activities. The most visible forms of direct advertising we observed were soft drink advertisements on beverage vending machines and high school scoreboards. In middle and high schools in two districts, advertisements were shown in classrooms on Channel One's televised news program, and a middle school and a high school in two districts were awaiting the installation of ZapMe! computers that will carry advertisements over the Internet. We identified examples of indirect advertising in all the schools, yet its presence was usually limited and subtle. None of the schools we visited reported engaging students in market research, but one principal reported being approached by a market research firm. Although no national data describing the prevalence of these activities are available, our findings are consistent with findings of research studies and articles in the popular press that have reported that commercial activities in U.S. schools have increased over the last decade.

**Product Sales Are
Pervasive; Use of Soft Drink
Contracts Is Growing**

Product sales—primarily exclusive soft drink contracts in secondary schools and fundraising sales in elementary schools—were the most prevalent form of commercial activity at all the schools we visited, but the extent of activity varied. For example, a beverage contract in one district has the potential to generate up to \$1.5 million per year to help fund projects and activities, but in another district, the 10-year contract calls for

one payment of \$12,000 plus a commission of about \$4,800 per year. (See table 8, app. II, for comparisons of the soft drink agreements at the high schools that we visited.) On the national level, exclusive soft drink contracts were the fastest growing activity of all product sales, but traditional fundraisers remained popular.

Soft drinks were sold in all the districts we visited, but the arrangements under which the sales were conducted differed. Except for sales in several elementary schools and one high school, sales were conducted under contracts. Some of the contracts covered sales within a school, a district, or consortium of districts; generated both monetary and in-kind donations; and varied in length up to 10 years. For example, in one district in California where state law restricted exclusivity contracts on a districtwide basis, the business officer negotiated contracts ranging in length from 3 years to 10 years for each high school, with each school receiving different amounts of up-front and commission payments. But in Michigan, where exclusivity contracts were not restricted, a multidistrict, exclusive 10-year contract with one payment schedule covered sales in all schools, and both the district and the schools received payments. Although all contracts covered the sale of carbonated beverages, most included sports drinks, juice, iced tea, or fruit drinks produced by the beverage company. Although most soft drinks were sold in high schools, elementary and middle schools also sold them, but machines there were less available and the level of sales was much lower. Despite the revenue these contracts could generate, soft drink contracts remained controversial in some of the districts we visited. Some objections concerned the effects of carbonated beverages on students' nutrition or the perception that the school was endorsing a particular corporate brand. In some districts, however, contracts were not controversial. For example, one school board member told us that exclusive soft drink agreements had been in his district since the 1950s and the only difference between then and now was that schools have learned to make money from them.

Most of the school and district officials we interviewed appeared to be less concerned about earning profits and more concerned with obtaining reasonable prices and covering up-front expenses when contracting for school-related services for students, although some arrangements were used to make money for schools. For example, schools had contracts with photographers; yearbook companies; gym uniform suppliers; fast food providers; student planner distributors; and, at the high school level, companies providing caps and gowns, graduation invitations, and class rings. These contracts were not controversial in the districts we visited.

The benefits schools received from the agreements varied, and most generated only modest funds.

Every school we visited participated in some traditional fundraising activities and sold merchandise in schools and communities to make money—from the sale of pickles to popcorn to pizzas—whether sales were run by parent-teacher organizations, booster clubs, or student groups, although the extent of activity varied. Parent-teacher organizations usually raised funds to benefit all students in the elementary and middle schools by funding such activities as assembly programs, field trips, and teacher training. In one school, the parent-teacher association raised the funds to pay the salary for a part-time teacher. Booster clubs and student organizations in the middle and high schools ran sales whose proceeds usually went to a particular sport or activity.

In addition to the more common types of sales, some fundraising efforts took advantage of special aspects of a school's location. For example, one large district in an area with a competitive local radio station market sold broadcasting rights to high school football games. In another district, a school rented its softball field to a production company shooting an episode of "Melrose Place."

All of the elementary schools and some middle and high schools participated in cash or credit rebate programs. Some of these programs give schools cash or equipment in proportion to the value of store receipts or proof-of-purchase coupons the school collects. Other programs give credit to a school designated by a customer on the basis of a proportion of that customer's credit, charge, or shopping card or long distance charges, with the corporate sponsor electronically tracking the award. Although Internet shopping programs that provide cash rebates to schools are growing, none of the schools we visited participated in them. Some of the school officials and parents we interviewed were not aware of their existence and, consequently, had not encouraged people to register.

Although national data are limited, available information indicates that exclusive agreements between soft drink vendors and schools or school districts have become one of the fastest growing types of commercial

activities in U.S. schools, particularly in the last 2 years.⁵ Although high schools have had vending machines for decades, the terms and coverage—for example, districts or consortia of districts—are new, and contracts granting exclusive sales and advertising rights appear to be replacing informal arrangements between vendors and school officials, a finding that is consistent with information from our site visits. Also, the results of a survey of nearly 700 administrators suggest traditional fundraisers have increased over the last decade.⁶ Moreover, the survey found that 8 percent of elementary schools receive funds from Internet shopping programs.

Direct Advertising Takes Many Forms, and Media-Based Advertising Is Growing

At the schools we visited, we saw many types of direct advertising—for example, corporate logos on athletic scoreboards, sponsorship banners in a gymnasium, and ads in high school publications. The most visible and prevalent advertisements we saw were soft drink advertisements and corporate names and logos on scoreboards. However, many of the product promotions and ads we saw in school facilities were displayed in exchange for free equipment, shown on educational posters, or initiated by schools to thank corporate donors. Schools in two districts aired Channel One, and two schools had recently signed contracts with ZapMe! agreeing to show advertising in exchange for equipment.

Traditional Forms of Advertising Predominate

Most of the advertising we saw was in high schools. Several high schools had traditional forms of advertisements, such as ads purchased by local businesses and printed in high school sports programs and schedules. Also, many high school yearbooks and newspapers sold advertisements to offset production costs. One high school replaced its newspaper with an Internet Web page and then sold ads on its Web page to help support the journalism program. None of the elementary or middle schools we visited sold ads in their publications. Ads on beverage vending machines were present in all the schools we visited, and soft drink or corporate logos appeared on scoreboards in athletic facilities used by all the high schools (see fig. 2). None of the schools sold advertising space in or around their facilities,

⁵Alex Molnar, *Cashing in on Kids: The Second Annual Report on Trends in Schoolhouse Commercialism* (Milwaukee, Wisc.: University of Wisconsin—Milwaukee, Center for the Analysis of Commercialism in Education, Sept. 1999).

⁶A survey conducted by the National Association of Elementary School Principals in 2000 found that 76 percent of respondents saw an increase in fundraisers in the past 10 years, but because the survey was not nationally representative, results cannot be generalized to schools nationwide.

except for advertising rights that were included in exclusive beverage contracts, and none sold advertising space in or on school buses. Several schools showed ads on electronic message boards, sports schedules, and schedules of school events (see fig. 3).

Figure 2: Ads on Scoreboards

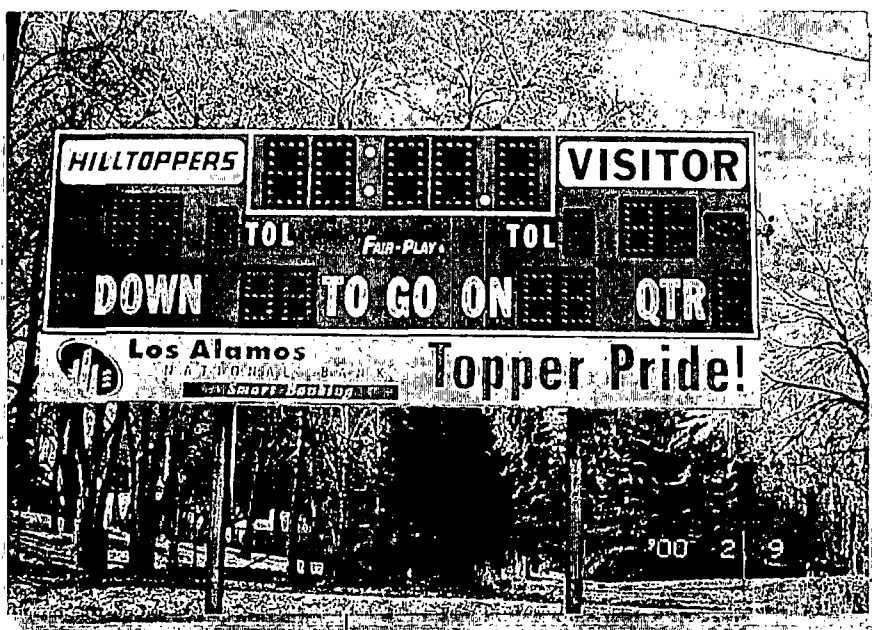


Figure 3: Ads on Calendars



Many of the schools distributed promotional materials, including book covers, free samples, and coupons, to students. For example, most of the middle and high schools received cartons of unsolicited book covers with colorful ads for a wide range of products, including milk, toiletries, television shows, sports drinks and clothing, and snack food (see fig. 4). Schools made the book covers available to teachers and students in such places as school libraries, textbook distribution rooms, and faculty lounges unless a school official felt the content was inappropriate. For example, one district did not distribute book covers sponsored by a tobacco company. In addition, the schools reported receiving, and in some cases distributing, unsolicited free product samples—such as shaving cream, feminine hygiene products, and snack food—and coupons, usually for local sports events and fast food restaurants. One district refused to accept free gym uniforms that contained the manufacturer's brand name and logo, and one reported receiving offers of free shoes for sports teams.

Figure 4: Ads on Book Covers

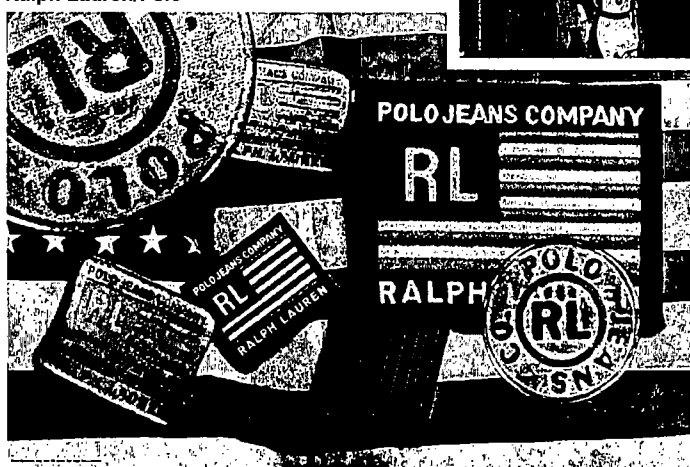


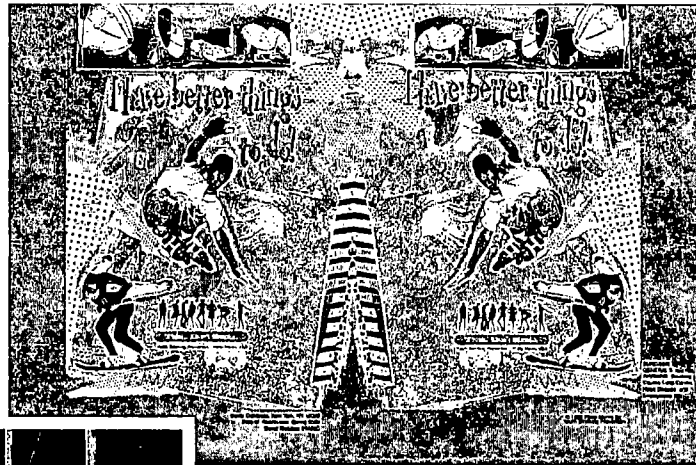
Clairol's Herbal Essences



Reebok

Ralph Lauren/Polo





Youth Smoking Prevention—
Philip Morris USA



Gatorade



Juicy Fruit Gum

According to numerous accounts, the amount and types of direct advertising in schools nationwide have increased and changed over the last decade. For example, schools and districts have become more aggressive in selling advertising space on school grounds and school buses to generate money. After one state instituted a new school funding formula under which some schools received more money per student and others less, a school near a major airport covered its funding decrease by selling space on its roof to a soft drink bottler for an advertisement that would be visible to airplane passengers. The same school district sold ads on school buses and at arenas, generating a few hundred thousand dollars. According to one media report, 45 of the nation's approximately 16,000 school districts have sold advertisements on their buses.⁷

In 1995, a study by Consumers Union, which publishes *Consumer Reports*, identified a number of firms that specialize in conducting promotional activities in schools.⁸ One company reported it distributed its book covers carrying paid advertisements to 30,000 schools and 25 million students, but no data exist on the number of students who actually used the book covers. Also, sportswear manufacturers are reported to be providing free uniforms and athletic shoes decorated with brand names and logos to some high school sports teams and cheerleading squads, particularly those with winning records.

Channel One

Channel One has provided free audiovisual equipment and news programming to middle and high schools since 1990. Participating schools must sign a contract agreeing that they will show Channel One's news program—10 minutes of news and 2 minutes of commercials—90 percent of all school days in 80 percent of all classrooms. In exchange, Channel One installs a free satellite dish, internal wiring at the school, two videocassette recorders, and a 19-inch television set for each classroom. Channel One owns, operates, and maintains the equipment.

⁷Jerry Schwartz, "Are We Selling Our Students?" Associated Press (Aug. 2, 1998).

⁸*Captive Kids: A Report on Commercial Pressures on Kids at School* (Yonkers, N.Y.: Consumers Union, 1995) reviewed examples of educational materials sponsored by Fortune 500 companies, smaller companies, trade associations, and corporate foundations and institutes. Often the companies and commercial organizations had their own in-house operations for producing materials for schools, but just as often they used the services of school-marketing specialists.

Schools in two districts we visited had Channel One, but members of other school boards or district officials said their boards had rejected it, feeling that advertisements were inappropriate for the classroom. The schools that had Channel One felt the benefits of having the technology outweighed any concerns about the commercials. The schools incorporated Channel One into the school day in different ways—for example, by extending homeroom time or first period. According to some of the school officials we interviewed, classes were required only to have the television on, and some teachers let students talk quietly during the program. One teacher said he was more concerned about the quality of the news program than the commercials, saying that the program had changed and had less hard news and more feature stories.

Since Channel One was first introduced, critics have argued against it on many grounds: (1) its 2 minutes of daily commercials take up class time and take advantage of students as a “captive audience,” (2) showing commercials in schools gives products extra credence and credibility, (3) Channel One commercializes the classroom and education, and (4) schools do not have any control over the content of the program or commercials. On the other hand, supporters say that (1) Channel One exposes students to news that is current and relevant to them, particularly because many students are not exposed to news in any other way; (2) students learn media literacy; and (3) financially strapped schools receive needed technology resources free of charge. According to a Channel One official, 12,000 schools, or about 38 percent of all middle and high schools in the United States, are currently connected to the system, and the company plans to add another 1,000 schools during the next several years.

ZapMe!

ZapMe! has been in operation since 1998, and its availability is growing, raising concerns about advertisements and privacy. Under each contract, ZapMe! installs up to 15 multimedia personal computers with 17-inch monitors, a high-speed Internet connection, and a printer in a middle school's or high school's computer lab. Each computer has a custom-built Web browser that incorporates word processing and spreadsheet software and gives students Internet access to approximately 12,000 selected educational sites. The company shows ads on its computer screens, and schools are required to use ZapMe! computers an average of 4 hours each school day in order to receive the computer equipment.

None of the schools we visited had ZapMe! installed, but two—a middle school and a high school—expected to have it installed within a couple of weeks of our visits. Because ZapMe! has only existed for 2 years, some

school officials we interviewed were not familiar with how it worked or had never seen it used. Several school board members and district officials, however, said they would be reluctant to have ZapMe! installed because of the advertisements it displays and its ability to track students' Internet usage. Officials in two districts said they have adequate funds to buy computers for their schools and, therefore, do not need ZapMe!

Many critics have raised similar concerns about ZapMe! as have been raised about Channel One—primarily, that students are shown advertisements during school, using time that could be spent on instruction. Moreover, critics also have raised the concern that ZapMe! has the ability to track and report students' Internet usage by age, gender, and school ZIP code. According to a ZapMe! official, however, the company does not track individual usage, although it does collect data in the aggregate. As of April 2000, ZapMe! was installed in almost 1,800 schools, or about 8.6 percent of U.S. secondary schools.

Other Internet companies are entering the arena. For example, a new service called HiFusion,⁹ introduced in April 2000, offers families free Internet service and allows parents and schools to “chat” on-line. This software, which is distributed free to schools, contains advertisements and can gather personal information on students, such as their names, addresses, and buying preferences.

Indirect Advertising Materials Are Widely Available, but Their Use Is Often Limited

Although we found examples of indirect advertising in all the schools we visited, teachers and principals limited the prevalence of most of these activities. Types of indirect advertising include corporate-sponsored educational materials and teacher training, corporate-sponsored contests and incentives, and corporate grants and gifts.

Corporate-Sponsored Educational Materials and Training

Despite the wide availability of corporate-sponsored educational materials, teachers we interviewed used few of these materials, and, when they did use them, it was primarily for a short or one-time lesson or as a supplement to the regular classroom curriculum. For example, in New Mexico, one large chain store sent schools free videos on local artists and artisans and an oil company sent videos on the state's history, both of which teachers said helped supplement available teaching materials. Also, teachers and

⁹Because the program is so new, we were unable to include it in our review.

schools in several districts used materials from local power companies to teach students about energy conservation.

According to the 1995 Consumers Union report, over 200 examples of educational materials and programs, including teaching kits, software, books, and workbooks, had been developed or sponsored by various companies, trade organizations, and nonprofit organizations—an amount the study deemed “the tip of the iceberg.” More recently, a large amount of corporate instructional materials has become available to teachers through Internet sites. However, no data are available to determine how widely teachers actually use this information. In contrast to the more subtle corporate sponsorship we saw during our school tours, many articles and studies have described examples of corporate-sponsored materials that are overtly commercial and have questionable educational value. For example, the Consumers Union study found over half of the 77 examples of corporate curricula it evaluated had commercial or highly commercial messages. Although the materials rarely contained advertisements, almost 80 percent contained biased or incomplete information or promoted a viewpoint that favored consumption of a sponsor’s product or service or a position that favored a company or its economic agenda.

Some businesses in the districts we visited offered free teacher training, but opportunities were limited, and most were available in a limited geographic area. For example, one local newspaper offered training to teachers on how to instruct students to read the newspaper, for which teachers could earn education credits. In addition, in three districts, computer or technology companies gave a limited number of teachers free computer training or help in teaching math and science in the classroom. One of these computer companies hired teachers as paid summer interns, and another paid all the expenses for a teacher to attend a summer training program. Because of its limited availability, few of the teachers we interviewed had participated in corporate-sponsored training.

Corporate-Sponsored Incentives and Contests

Although many corporate-sponsored incentive programs and contests are available nationwide, the teachers we spoke with rarely promoted them unless they were aligned with curriculum objectives. Teachers and principals in some schools posted information and let students decide whether to participate.

Most of the elementary schools we visited promoted a reading incentive program that rewards students with a free pizza for reading a required number of books. When students reached their reading goal, they were

given a certificate for a free personal pizza, a button, and stickers. Proponents of this program say it encourages children to read, while critics contend that the program takes the intrinsic value out of reading and coerces families to eat at the sponsor's restaurant. Even in the schools that participated in this program, participation varied. Two elementary schools incorporated the program as part of their regular reading curriculum, while others let individual teachers decide whether to participate.

Two of the teachers we interviewed required students to participate in corporate-sponsored contests. At one high school, an art teacher required her advanced art students to enter artwork in a contest of their choice to add examples of their work to their art portfolios. At another high school, students in a technology class participated in a national "solar boat" contest. The project required the class to raise \$25,000 to build the boat, and two donors received free publicity by putting their logos on the boat.

On the national level, corporate-sponsored contests range from those that put "educating students ahead of selling to them," according to the Consumers Union report, to those that are "flagrantly" commercial—for example, those that incorporate brand names or logos in contest titles or on entry forms and those for which the sponsor's products or services are offered as prizes. Some contests, such as a national science contest or a spelling bee, had a very low commercial content, according to the report, while others "were clearly designed to promote their sponsors' corporate images, products, or services." Although many contests and incentive programs are available nationwide, no national data are available on the number of schools that participate in particular contests.

Corporate Grants and Gifts

In the schools we visited, corporate gifts ranged from free doughnuts for parent-teacher functions to coupons for free fast food to computer labs in the schools. These gifts were donated by large and small companies and were given to elementary, middle, and high schools; parent-teacher organizations; booster clubs; school administrations; and teachers. Furthermore, many companies offer grants that teachers or schools can apply for. Some examples follow.

- A national computer company donated 30 computers and related equipment to a school computer laboratory.
- An automotive dealership leased three cars to the high school drivers' education program for \$3 a year, and the school returned them after 3,000 miles.

-
- Companies donated extra supplies and materials, such as laboratory glassware and supplies, photocopying paper, and computers.

On the national level, soft drink, manufacturing, computer, fast food, and technology companies and their associated foundations, among others, give a variety of resources to schools, including grants for hundreds of millions of dollars, instructional materials, equipment, and services. Some donations are intended to be philanthropic and financially benefit their sponsors only indirectly, if at all. Other donations overtly advertise the sponsor's products or services or are connected to purchasing other products or services. No central data source tracks the value of corporate contributions to pre-college education.

Market Research Is Controversial

None of the education officials we interviewed said schools were appropriate venues for market research, and none reported that market research had been conducted in their schools by either school staff or employees of other organizations. Information on the prevalence of market research in schools is not available, and relatively few examples have been reported in the popular or research literature. However, education, corporate, and advocacy groups report market research in schools is a growing phenomenon.

According to market research literature, some schools have earned thousands of dollars or computer equipment in exchange for allowing companies to conduct market research activities with students, including taste tests, focus groups, and surveys. Market research might be conducted by employees of market research firms or through students' school Internet use. For example, using computers in schools across the nation, children serve on Internet panels and respond to surveys or questions that are presented on-line. Students can also participate in virtual shopping games in which they indicate their preference for items and participate in contests. According to the National School Boards Association, Education Market Resources, a firm that specializes in reaching children through Internet panels, has conducted market research in over 1,000 schools.

In addition to delivering advertising, ZapMe! has the capability to track individual students by age, gender, and school ZIP code and aggregate information describing students' Internet activities when they use ZapMe! computers. Although the company has said that it has never analyzed student data or sold them to companies that could use this information to customize ads for children, many policymakers and advocacy groups have

raised concerns about student privacy, especially if the information is gathered without parental consent.

Many Web sites collect personal data for market research purposes. For example, a 1999 survey of randomly selected commercial Web sites for children conducted by the Center for Media Education¹⁰ found that 95 percent of commercial sites collected personal data when children visited these sites. In addition, some Web sites gather information about students without their knowledge by using sophisticated tracking tools.¹¹

Benefits From Commercial Activities Vary and Support Many Activities

Some commercial activities generate more money for schools than others do, and the same type of activity generates different amounts of money for different schools or districts. For example, exclusive soft drink sales can potentially raise more money than gift-wrap sales, and one school or district can earn more from soft drink sales than another school or district. Similarly, proceeds from commercial activities generally supported basic instructional activities, athletics, and other student activities.

The amount of soft drink revenue generated for a school or district varied. For example, one elementary school principal said the beverage contract, which covered only one machine that was located in a teachers' lounge, generated only about \$12 a year. A middle school principal estimated the beverage agreement in his school yielded about \$4,000, or about \$3.65 per student. One high school principal reported the contract in his school generated about \$67,000 in up-front money and commissions its first year, or about \$12 per student per year over the life of the contract. One district

¹⁰According to the Center for Media Education, its purpose is to create a quality electronic media culture for children and youth, their families, and the community.

¹¹According to findings reported in *The Internet and the Family 2000: The View from Parents, the View from Kids* (New York, N.Y.: Annenberg Public Policy Center, May 2000), nearly half of the parents surveyed were not aware that Web sites can gather information about users without their knowledge by aggregating small pieces of information using sophisticated tracking tools.

covered under a consortium contract is guaranteed to make a minimum of \$30 per student per year, or about \$785,000.¹²

Schools used revenues from beverage sales differently. For example, a beverage company gave one high school \$80,000 in up-front payments over 3 years to build an all-weather track. At another high school, revenue generated from designated vending machines was dedicated to specific athletic programs, such as football and swimming, as well as to other student activities, such as student government. In other high schools, and most elementary and middle schools, funds helped support a wide variety of programs, including field trips, student incentives, musical instrument programs, teacher training, and career development activities for students. Principals usually decided how funds would be used.

Sales of school-related products were not generally very profitable. For example, some schools sold school pictures at a low price, accepting modest profits or receiving only free student and staff picture identification cards.

The revenue or rewards from a commercial activity can vary. Although selling refreshments at concession stands during sporting events was a lucrative activity and often generated thousands of dollars for student activities, many other types of fundraising sales were time-consuming and raised relatively few dollars given the amount of time and effort involved. Often, parent volunteers worked hard selling products for modest returns. For example, one parent-teacher organization raised about \$7,500 through seven product sales that spanned the 1998-99 school year and involved the entire student body, a relatively small return for the effort involved. In addition, rewards from some cash or credit rebate programs are small. For example, a volunteer in one school collected 1,700 proof-of-purchase labels in order to obtain a single dictionary for the school library.

¹²For comparison purposes, per-student revenue is the best measure available, but comparisons can be misleading because each contract reflects a different set of rules and conditions. For example, per-student revenue from school-based contracts reflects sales at one school, and per-student revenue from district and consortia contracts reflects average sales in all schools—elementary, middle, and high schools—in a district. Also, not all schools or districts maximize their commissions. Some charge higher prices for beverages or sell beverages in larger quantities, while some negotiate more advantageous contracts than others. In addition, demographics and special characteristics—for example, having a champion football team—can greatly affect a school's or district's ability to negotiate favorable terms. Finally, schools can increase their revenue by stocking machines and maintaining sales records instead of giving vendors the responsibility for these activities.

Although technology has made some rebate and credit programs easy to use, returns to some schools remained modest, often because retailers offering the programs were not located in the community served by the school, some awards were negligible, or customers were required to pay fees to participate. For example, 13 of the 19 schools we visited received less than \$200 for a 6-month period from a cash rebate program. Internet shopping programs were not sources of revenue in the schools we visited because some officials were unaware of them.

With the exception of exclusive beverage contracts that included advertising rights, most advertising in the schools we visited was displayed in exchange for free equipment or to reduce the cost of products such as student planners or yearbooks. In contrast, the national media have reported that some districts and schools have received large earnings from advertising. For example, the Grapevine-Colleyville School District in Texas generated several hundred thousand dollars a year by selling ads on school buses and school buildings.¹³ Also, the New York City Board of Education recently approved a plan to develop its own Internet service and Web site that will carry corporate advertising. Proponents of this plan believe that the profits could reach \$100 million annually—enough money to buy laptop computers for all eighth grade students in New York City's public schools.¹⁴

Concluding Observations

Commercial activities in schools run the gamut from noncontroversial approaches, such as grants and gifts, to highly controversial activities, such as market research. Often the values of school board members, district officials, and parents determine whether a certain type of activity is controversial or not, rather than the nature of the activity itself. For example, in various districts soft drink sales are an issue of nutrition, the appropriateness of sales during school hours, or brand preference. In some cases, these sales raise no value-related issues at all. Because most of the decisions are made at the local level, different preferences of local officials will result in different levels of commercial activities across districts and across schools in the same district. New technologies, particularly those

¹³Mike Kennedy, "Public Schools, Private Profits," *America School and University* (Feb. 2000).

¹⁴Andrew Trotter, "Denver, New York Seek Online Revenue," *Education Week* (May 10, 2000).

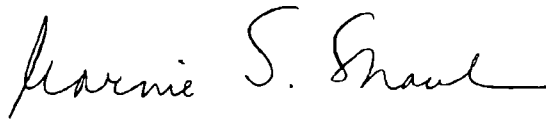
involving the Internet, might increase opportunities for schools to earn money but raise concerns about student privacy.

Comments From Education Organizations

Several national education organizations reviewed a draft of this report. They generally thought it was informative and should provide school districts with valuable information related to commercial activities. An official of the National School Boards Association, however, said that because we had not encountered any examples of Internet tracking in our site visits, we should not highlight the issue by including it in table 1. Because table 1 provides an overall framework for discussing categories of commercial activities, we believe Internet tracking is appropriately included.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies to the Honorable Richard W. Riley, Secretary of Education; appropriate congressional committees; and other interested parties. We will also make copies available to others upon request.

If you or your staff have any questions about this report, please call me on (202) 512-7215 or Eleanor L. Johnson on (202) 512-7209. Kathleen D. White and Carolyn S. Blocker also made major contributions to this report.



Marnie S. Shaul
Associate Director, Education, Workforce,
and Income Security Issues

Scope and Methodology

To obtain information for this report, we reviewed reports and articles about commercial activities, conducted a Lexis search of state legal codes to identify laws governing commercial activities in schools, and gathered detailed information on commercial activities in 19 elementary and secondary schools in a total of seven school districts in three states. The schools visited ranged from those serving large numbers of poor students to those serving children from affluent families. In each school, we interviewed the principal; representatives of parent-teacher organizations and booster clubs; selected teachers; and other key staff, such as athletic directors. In each district, we interviewed a district superintendent or assistant superintendent, a district business officer, and a school board member. (See table 3.)

Table 3: Sites Visited

District	School
California	
Long Beach Unified School District	James R. Lowell Bayside Academy Hubert H. Bancroft Middle School Robert A. Millikan High School
Oxnard School District (elementary and middle school district)	Emilie Ritchen Elementary School John C. Fremont Intermediate School
Oxnard Union High School District	Hueneme High School
Michigan	
Grand Rapids Public Schools	Henry Paideia Academy Westwood Middle School Ottawa Hills High School
Ludington Area Schools	Pere Marquette School (Grades K-2) Foster Elementary (Grades 3-6) O.J. DeJonge Junior High School Ludington High School
New Mexico	
Albuquerque Public Schools	Los Padillas Elementary School Lyndon B. Johnson Middle School Cibola High School
Los Alamos Public Schools	Barranca Mesa Elementary School Los Alamos Middle School Los Alamos High School

We spoke with individuals representing the following education associations, parent-teacher organizations, businesses, and advocacy groups:

American Association of School Administrators
Association for Supervision and Curriculum Development
Association of School Business Officials International
Center for the Analysis of Commercialism in Education
Center for Commercial-Free Public Education
Channel One (Primedia)
Commercial Alert
National Parent Teacher Association
National School Boards Association
National Soft Drink Association
New Mexico Research and Study Council
Texas Parent Teacher Association
ZapMe!

Summary of Site Visit Information

Tables 4 through 7 summarize written policies and procedures on product sales, direct advertising, indirect advertising, and market research in the districts we visited. These tables illustrate the variability in policies among school districts. Moreover, unwritten district policies and the values of school administrators and school board members play critical roles in decisions about what commercial activities are allowed. Table 8 describes the soft drink arrangements in the six high schools that we visited.

Table 4: Summary of Key District Policies and Procedures Covering Product Sales, by School District

	Albuquerque	Grand Rapids	Long Beach	Los Alamos	Ludington	Oxnard School District	Oxnard Union High School District
Approval of fundraising activities							
Superintendent or designee must approve fundraisers, inform parents/guardians of their purpose, tell parents/guardians how much money was raised, and encourage parents/guardians to offer their suggestions for the use of the money raised.							X
Superintendent has the authority to approve agreements on behalf of the district.	X		X				
Superintendent or designee must review the contract if the sale or soliciting activities involve a contract.	X						X
Principal may permit fundraising by organizations whose funds are managed by the school district if activities are conducted on school grounds; the superintendent may permit fundraising if conducted off school grounds.			X		X		
Superintendent may permit fundraising by organizations whose funds are not managed by the school district.	X	X	X		X		
Superintendent and principal must approve in writing all activities involving the community extensively.	X				X		
All solicitations on campus must be approved according to regulations developed by the superintendent.	X		X				
Principal must approve activities.	X		X	X			
Principal must approve all activities of parents' groups.	X		X				

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Summary of Site Visit Information**

(Continued From Previous Page)

	Albuquerque	Grand Rapids	Long Beach	Los Alamos	Ludington	Oxnard School District	Oxnard Union High School District
Limits on door-to-door canvassing							
Door-to-door canvassing is prohibited.			X	X	X		
Ability of minors to engage in door-to-door fundraising canvassing is limited.		X	X				X
Limits on number and length of fundraisers							
Superintendent must develop guidelines for the solicitation of funds that specify the times and places in which funds may be collected, describe permitted methods of solicitation, limit the kinds and amounts of advertising for solicitation, and limit the number of fundraising events.			X		X		
Superintendent must implement guidelines to ensure that parent-teacher organizations and other school-related organizations comply with school board policies and that funds are used for projects approved by the superintendent and principal.	X						
Student groups are limited to two fundraisers a year.							X
Staff must limit fundraising activities to appropriate time periods designated by the principal.			X				X
Other policies							
Students may not be required to raise a specified amount of money in order to participate in an activity sponsored by a school-related organization.	X		X	X			X
Schools are to coordinate fundraisers so that sales will not be negatively affected by competition.			X	X			
Fundraising involving gambling is prohibited.	X	X	X	X			
Principal must ensure that letters are sent to all parents/guardians regarding fundraising activities.						X	X
Awards or incentives identifying donors may not be used.							X

**Appendix II
Summary of Site Visit Information**

Table 5: Summary of Key District Policies and Procedures Covering Direct Advertising, by School District

	Albuquerque	Grand Rapids	Long Beach	Los Alamos	Ludington	Oxnard School District	Oxnard Union High School District
Approval of direct advertising activities							
Superintendent or designee has the authority to approve agreements on behalf of district.	X		X				
Superintendent must review the commercial advertising content of all instructional programming and other materials and act to protect students from any negative aspects of the advertising content.		X	X				
Materials generated by nonstudents may be distributed or posted only with the prior approval of the superintendent or his or her designee.			X			X	
Superintendent or designee must authorize the distribution to students of materials from profit-making companies.			X		X		
Ticket sales and promotional announcements in schools must be approved by the principal and permitted by the appropriate superintendent, with the exception of activities relating to school functions that are held at the discretion of the principal.			X				
Limits on direct advertising							
Advertising promoting alcohol, tobacco, gaming, firearms, political endorsements, and controversial products or services is prohibited.	X						
Advertisement of materials that are obscene or libelous, incite students to commit illegal acts, violate school rules, discriminate against groups, or promote one group over others is prohibited.			X			X	
Superintendent or designee may not accept promotional material of a commercial nature for distribution by or to students.			X			X	
Organizations that provide schools with materials or equipment that contains commercial messages must submit a request to the director of business.			X		X		
Superintendent must establish guidelines that limit the kind and amount of advertising for fundraisers.					X		
Superintendent must develop regulations that provide for the acceptance of gifts of uniforms, equipment, or money.		X	X				
Coupons may be distributed through the school, but they must relate to or support an instructional activity.	X		X				

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(Continued From Previous Page)

	Albuquerque	Grand Rapids	Long Beach	Los Alamos	Ludington	Oxnard School District	Oxnard Union High School District
Advertisements in school-sponsored publications, announcements, and other communications are prohibited.						X	
Other policies							
Advertising initiatives that enhance district goals are supported.						X	

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Summary of Site Visit Information**

Table 6: Summary of Key District Policies and Procedures Covering Indirect Advertising, by School District

	Albuquerque	Grand Rapids	Long Beach	Los Alamos	Ludington	Oxnard School District	Oxnard Union High School District
Approval of indirect advertising activities							
Organizations must request a letter of authorization from the Community Relations Office or from Curriculum Support before seeking the approval of the principal to distribute course-related materials, contest materials, products, or programs.	X		X				
All materials or activities proposed by commercial sources for student or staff use or participation must be approved by the principal on the basis of their educational contribution.			X		X		
Superintendent must review the commercial advertising content of all instructional programming and other materials and act to protect students from any negative aspects of the advertising content.		X	X				
School board acceptance is required for all gifts valued at over \$100.			X				
Limits on indirect advertising							
Schools may use films or other educational materials if they mention the producing or sponsoring company.			X		X		
Product materials donated by companies may be used in classrooms as long as they serve an educational purpose and do not unduly promote commercial activities or products.			X			X	
Superintendent or designee may not accept promotional materials of a commercial nature for distribution by or to students.						X	
Materials advertising a product for sale or rent may not be used unless activity is authorized and approved by the principal.	X						
Contests and exhibits may not make unreasonable demands upon the time or energy of students, teachers, or the district; interrupt the regular school program; involve any direct cost to the district; or cause the participants to leave the school district.			X		X		
Other policies							
Superintendent must establish regulations governing partnerships between private industries and schools.			X				

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Table 7: Summary of Key District Policies and Procedures Covering Market Research, by School District

	Albuquerque	Grand Rapids	Long Beach	Los Alamos	Ludington	Oxnard School District	Oxnard Union High School District
Approval of market research activities							
Organizations may not administer surveys or questionnaires to students or staff unless instruments are submitted to the superintendent for approval; if approved, a copy of the survey or questionnaire results and the proposed manner of their communication must be provided to the superintendent for review and approval before they are released.			X		X		
Unless generated by the school, questionnaires to students or parents/guardians must be approved by the superintendent or designee and must bear the name and location of the sponsor.			X			X	

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Table 8: Comparison of Soft Drink Agreements at the High Schools We Visited

School	Coverage of agreement	Type of agreement	Year of agreement	Length of agreement	Revenue or in-kind benefits	Sponsor responsibilities	District responsibilities
Albuquerque, N.M. Cibola High School	School	Informal agreement	1999	None specified	• About \$3 per student • 10 competitive grants of \$1,000 for district teachers • A baseball scoreboard • Cafeteria banners	Maintain 60% of machines	Maintain 40% of machines
Grand Rapids, Mich. Ottawa Hills High School	18 districts in the Kent Intermediate School District Beverage Consortium	Exclusive contract covering all public schools and facilities	1999	10 years	• Minimum commission of \$20 per student per year for all students in the district and \$10 per student per year for exclusivity rights, for a total of \$30 per student per year • Promotional merchandise and student incentive programs valued at over \$600,000 • Guaranteed earnings of \$785,000 and estimated possible earnings of \$1.5 million for the district	Maintain all machines	May not sell or advertise products of competing companies
Long Beach, Calif. Robert A. Millikan High School	School	Exclusive contract, but food service operations, including cafeteria service, are excluded	1995	10 years	• \$29,284 per year, or about \$6.80 per student (based on revenues from 1998-99) • Donation of \$11,420 toward purchase of a football scoreboard • 25 free cases of soft drinks a year	Maintain all machines	May not sell or advertise products of competing companies in schools or at school events

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School	Coverage of agreement	Type of agreement	Year of agreement	Length of agreement	Revenue or in-kind benefits	Sponsor responsibilities	District responsibilities
Los Alamos, N.M. Los Alamos High School	53 school districts and 11 institutions of higher learning in New Mexico	Exclusive contract	2000	8 years	- Estimated total benefit of about \$82,500 for the district, or \$22 per student per year - Guaranteed \$24,121 per year regardless of sales, or about \$6.50 per student per year - In-kind benefits worth \$4,700 per year for the district	Maintain all machines	May not sell or advertise products of competing companies; schools, concessions, and food services selling beverages on campus must buy cups, carbon dioxide, and related products from the vendor
Ludington, Mich. Ludington High School	High school/middle school complex	Exclusive contract	1997	10 years	- Up-front payment of \$12,000 toward the cost of a scoreboard - Installation of the scoreboard - Estimated commission of about \$4,800 per year - Approximately \$5 per student per year	Maintain all machines	May not sell or advertise products of competing companies; must place advertisements on all menu boards, scoreboards, and concessions and buy cups, carbon dioxide, and related products from the vendor
Oxnard, Calif. Hueneme High School	School	Exclusive contract, but food service operations, including cafeteria service, are excluded	1999	6 years	- Up-front payments of \$50,000, \$15,000, and \$15,000 over first 3 years of contract \$17,000 commission per year, or about \$6.40 per student - Estimated total benefit from soft drinks of \$11.82 per student per year 50 free cases of soft drinks per year - Promotional services not to exceed \$1,000 per year	Maintain all machines	Has exclusive sales rights with exception of products sold in cafeteria

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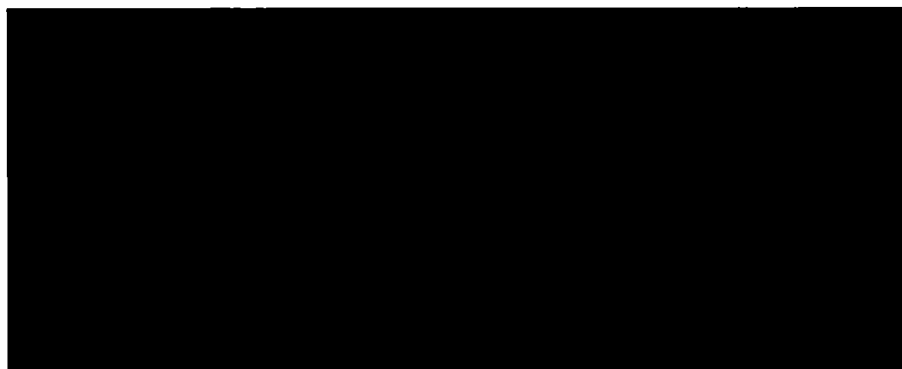
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- e-mail: fraudnet@gao.gov
- 1-800-424-5454 (automated answering system)

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