

Technology

Silicon Valley Tried to Reinvent Schools. Now It's Rebooting

AltSchool, backed by Mark Zuckerberg and other high-profile tech investors, is scaling back and shutting a school as losses pile up.

By [Adam Satariano](#)

November 1, 2017, 2:30 PM PDT



Founder and CEO of AltSchool Max Ventilla *Photographer: Brian Ach/Getty Images*

Max Ventilla sold investors on a promise to build modern, technology-infused schools that would revolutionize education. The former Google executive convinced <https://www.bloomberg.com/news/features/2015-06-10/what-happens-when-an-ex-google-executive-creates-a-school-system-> Mark Zuckerberg and prominent venture capitalists to commit \$175 million to his startup, AltSchool. The company built at least nine grade schools in California and New York, some equipped with ceiling-mounted video cameras, an abundance of computers, custom apps, robots and 3D printers.

But five years after opening, the for-profit venture has yet to solve a basic business equation. Despite charging about \$30,000 for tuition, AltSchool's losses are piling up as it spends at a pace of about \$40 million per year. The San Francisco company is now scaling back its ambitions for opening elementary schools around the U.S. and will instead close at least one location. In an interview, Ventilla said it's all part of the plan. The startup is shifting its focus to selling technology to other schools, a business which has struggled to date but that he said has a more promising future.

In Silicon Valley fashion, Ventilla broke the news to parents with a touch of misplaced enthusiasm. He wrote an email to families in Palo Alto, California, saying the school there would close at the end of the year due to business "challenges and opportunities," according to a copy of the message reviewed by Bloomberg. Ventilla said AltSchool will only run classrooms near the main offices in San Francisco and New York. "We know this is tough news that will have a big impact on your family," Ventilla said. But the moves are needed, he wrote, given AltSchool's "strategy, path to growth and finances."



Replay

Ventilla told Bloomberg that the company had long planned to prioritize selling technology to other schools. He said it's happening earlier than anticipated because of demand. For outside schools, the company charges about \$150 to \$500 annually per student for its technology, depending on the size of the institution. AltSchool said it currently has hundreds of students at partner schools and will soon have more than a thousand. Its tools help teachers dole out assignments, keep tabs on a students' work and make adjustments based on performance.

AltSchool has about \$60 million in the bank, Ventilla said, and the ability to take on debt if needed. The strategy has always been to spend a lot of money and take on losses in order to

build technology that can be sold for a handsome profit later, he said. “We’re focusing our resources on growth,” Ventilla said. “We have a lot of runway.”

The education system is one of the few industries that has resisted technological reinvention. It’s not for a lack of capital. Zuckerberg, Bill Gates, Netflix Inc.’s Reed Hastings, Salesforce.com Inc.’s Marc Benioff and many others have poured money into reform efforts, with mixed results. Zuckerberg backed a program similar to AltSchool at Summit Public Schools, a U.S. charter school network that uses Facebook technology.

Venture investors spent \$2.35 billion on education-technology startups globally last year, according to research firm CB Insights. But companies haven’t come up with a formula students will embrace or that can be deployed efficiently and profitably. The hype around online education has largely dissipated as dropout rates skyrocketed. Coursera Inc., backed by more than \$200 million, cut staff last week and shook up the executive ranks, technology website Recode reported <https://www.recode.net/2017/10/30/16569304/coursera-executives-financial-marketingeducation-online-mooc-venture> .

AltSchool’s pitch to investors was somewhat old-school. Ventilla wanted to build physical classrooms with first-rate teachers and complement them with “personalized” learning technology, so educators can tailor lessons for each child. At Google, Ventilla was in charge of an effort linking a user’s search history, emails, Maps usage and YouTube viewing habits into a single profile. He envisioned a similar approach to elementary schools.

With ample financial backing, including a \$40 million round in May, AltSchool leased space in some of the country’s most expensive neighborhoods, hired experienced educators and recruited coders to build software for tracking classwork, evaluating students, ordering supplies, requesting IT support and communicating with parents. Ventilla had plans to expand in cities

around the nation and license the technology. “We’ve literally built an operating system for a 21st century school system,” he said in 2015.

Inside the company, there was a struggle between the logistical demands of opening and operating schools, and the challenges of building technology that could be sold to educators across the U.S., said a former employee, who asked not to be identified because the discussions were private. Both initiatives are expensive. The software side won, and the company began shrinking the team in charge of school operations last year by cutting employees and not filling jobs after people leave. School sites in San Francisco were also consolidated, and plans for a Chicago location were called off.

AltSchool has struggled to convince school districts to buy its technology. To help with the effort, the company earlier this year hired several veteran educators, including Devin Vodicka, the former superintendent of Vista Unified in Southern California. Several schools will soon be signing on, Vodicka said. “The schools that are approaching us are wrestling with that same struggle of knowing there are better ways to serve our kids and finding ways to do that.”

Although the company touts the magic of its technology, two parents said their children benefited more from the extensive attention of talented teachers and small class sizes. There are multiple instructors per class, and the school places a premium on interdisciplinary projects, like building a model house that can withstand different weather—a task that incorporates current events, science, engineering and budgeting.

In a sign of the new direction AltSchool is headed, the company started calling its remaining locations Lab Schools.

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