

Research Brief



# **Contracting Out Schools:**

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## The First Year of the Philadelphia Diverse Provider Model

*By Katrina Bulkley, Leah Mundell, and Morgan Riffer*

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A report from *Learning from Philadelphia's School Reform*

## Recent History of Philadelphia School Reform

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On December 21, 2001, the Commonwealth of Pennsylvania took control of the Philadelphia public schools, declaring the school system academically and financially distressed. At that time, the School District of Philadelphia became the largest school district in the country ever put under direct state control. The state initially proposed placing the Philadelphia school district under the private management of Edison Schools, Inc. As a result of community pressure, this management model gave way to a "diverse provider" model, in which a set of low-performing schools is operated by multiple for-profits, nonprofits, university partners, and a new district office for restructured schools. Adding to the complexity, a CEO, known for centralizing authority, was placed in charge of the Philadelphia school system, including its subset of privately managed schools.

The resulting school reform effort clearly has high stakes locally. It also is being watched closely nationally as an indication of what may happen to other distressed school districts across the United States. With the enactment of the *No Child Left Behind* (NCLB) legislation, states have the mandate to assume control of failing districts when less drastic interventions fall short of bringing about improvement. Philadelphia is an important test case as educators and policymakers debate the efficacy of various private and public management remedies for urban public school failure.

## Learning from Philadelphia's School Reform

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Research for Action (RFA) is leading *Learning from Philadelphia's School Reform*, a comprehensive, four-year study of Philadelphia's complex and radical school reform effort. RFA researchers are working with colleagues from the University of Pennsylvania, Rutgers University, Swarthmore College, and the Consortium on Chicago School Research to examine the impact of state takeover, the efficacy of a diverse provider model, the success of district-level leadership in managing a complex set of reform models, the influence of community groups on district policy and school improvement, and the key factors influencing student outcomes under various school conditions and school management models.

*Learning from Philadelphia's School Reform* includes a multi-faceted, vigorous public awareness component that engages leaders and citizens in the process of educational change, and informs and guides the national debate on school reform. The project disseminates information broadly through public speaking, reports, bulletins, and articles featuring clear, timely, and credible analysis of the real impact of school improvement efforts.

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# Contracting Out Schools:

## The First Year of the Philadelphia Diverse Provider Model

*By Katrina Bulkley, Leah Mundell, and Morgan Riffer*

### Introduction

Educators nationwide focused on Philadelphia in the summer of 2001 as politicians and policy makers explored the possibility of a state takeover of the city's school system, a seismic power shift that would produce the largest privatization of a public school district in American history.

Out of this time of turmoil—with the district facing huge deficits even as legislators in Harrisburg resisted pouring additional dollars into what they perceived as a fatally flawed system—the governor's office and Philadelphia's Mayor John Street reached a compromise, a “friendly” takeover of the city's schools.

Included in the compromise was an agreement that certain low-performing schools would be operated under a “diverse provider” model<sup>1</sup> and placed under private management. The architects of Philadelphia's diverse provider model hoped that new managers would energize the district with innovative instructional practices and that their schools would serve as educational “laboratories,” ultimately raising achievement among the district's 214,000 students.

For a core of state policy makers, the diverse provider model was an opportunity to put into place a long-term commitment to a more market-based approach to the challenges facing Philadelphia public schools. For city officials, the diverse provider model was a practical compromise that facilitated the district's access to additional state funding while avoiding total privatization. Finally, local supporters, including some parents and community members, simply believed that “something else” needed to be done; though it is important to note that a significant body of parents, students, teachers, and community organizations resisted privatization.

The findings reported here are based on analysis of interviews with 20 principals in schools operated under the diverse provider model and with 10 representatives from providers and the district central office. Each principal was interviewed 3-4 times. All interviews were conducted during the second half of the 2002-2003 school year—the first year of the new reform. Overall, we gathered data from about a third of the principals involved in the diverse provider model. Documents from media, district, and other sources were used to further inform this analysis. Since these data were collected, the reform has continued to evolve. Future research will document and analyze the ongoing development of Philadelphia's multiple provider model.

Our current analysis raises many questions about the Philadelphia reform at its debut: What was the district's role in both supporting and overseeing schools in a diverse provider model? How did a diverse provider model fit into broader district-wide reform efforts? How did the political context affect implementation? How did providers balance their control with school/principal autonomy? What was the principal's role in a school working with a provider? How did the personal networks of principals within a district and with providers influence implementation of reforms? And, perhaps most importantly, what can this experience “teach” other cities interested in implementing a diverse provider model?

In creating Philadelphia's model, local education policy makers built on the “Diverse Providers strategy,” an approach to urban school reform proposed by Hill, Campbell, and Harvey.<sup>2</sup> Policy makers throughout the country have hoped that Philadelphia's experience will shed light on the potential for employing such an approach to school reform, especially as the corrective

actions for low-performing schools required by *No Child Left Behind* (NCLB) heighten the need for such information. However, based on data gathered during the first year of Philadelphia's reform, more can be said about the challenging process under which a diverse providers approach is implemented than about its potential for real educational improvement. The contentious political roots of this reform effort, alongside the rapid pace of implementation and changes in district leadership, created a challenging first year for those involved at the district, provider, and school levels.

As a result of compromises forged during its early inception, Philadelphia's diverse provider model resulted in an alternative to the Diverse Providers strategy put forth by Hill and colleagues; other cities considering the Diverse Providers strategy are likely to need to make similar adaptations. In particular, Philadelphia's reform relies on the concept of "thin management," under which school employees remain district employees and providers are obligated to adhere to union contracts. Hill and colleagues' conception of the Diverse Providers strategy did not anticipate the effects of power relationships, politics, and the personal networks of educators embedded in the actual process of "contracting out" to private providers. These factors, however, influenced much of Philadelphia's experience. Principals and others struggled within a system in which they had to respond to "multiple masters" and contend with "choosing sides" between the district and the provider. They also were faced with a district office staff whose allegiance to the diverse provider model varied, and whose energies were more often focused on a new set of centralizing reforms.

### **The Theory Behind the Diverse Providers Approach**

The diverse providers approach is based on theories of the potential benefits of relying on contracting out as a market mechanism to drive quality and efficiency in public education systems.<sup>3</sup> Proponents of privatization argue that competition among education providers will drive educational improvement, replacing central office bureaucracy with a competitive school marketplace.<sup>4</sup>

One specific approach, the "Diverse Providers strategy," grew out of critiques of urban public education by Hill and his colleagues, who argued that most urban reform efforts left the basic structure of public education intact and that the underlying structure must be altered to achieve meaningful, long-lasting change. At the center of this strategy is the idea that school districts will contract with providers to manage local schools and that providers will have autonomy

over most school operations, but will be responsible for demonstrating that schools are enhancing student performance.

While Hill and colleagues described an idealized version of the Diverse Providers strategy, they also recognized that "hybrid" versions of this model might emerge. Philadelphia's diverse provider model is such a hybrid, as policy makers used pieces of Hill and colleagues' ideas in combination with their own thinking about the best ways to reform the struggling system. The most significant difference between Philadelphia's reform and the Diverse Providers strategy is one that Hill and his colleagues did not anticipate: the idea that contracted schools would be operated under "thin management" in which staff (including teachers and principals) remain employees of the district and providers (at least initially) honor union contracts—leading School Reform Commission Chair James Nevels to refer to the Philadelphia diverse provider model as "reform lite."<sup>5</sup>

While many researchers are interested in the Diverse Providers strategy as a viable reform model, several challenges have been raised by those who have examined the on-the-ground experiences of districts and schools that have experimented with this type of reform. Hannaway points out that complex contracts with outside providers (such as those in Philadelphia) often fail to clearly specify performance expectations, even though specificity is valued as a strength of contracting.<sup>6</sup> In their book, *Risky Business*, Richards, Shore, and Sawicky argue that improvements in urban schools rely on better classroom instruction, and that "there is no evidence that education contractors possess proprietary approaches to instruction that are superior to proven methods already in the public domain."<sup>7</sup> Thus, as a reform designed to shift governance structures and incentives, the Diverse Providers strategy says little about issues of teaching and learning for students.

Two other critiques focus on issues of parental and student control. Ascher and her colleagues argue that decisions made at corporate headquarters, rather than by public officials accountable to constituents, may restrict parent influence.<sup>8</sup> Philadelphia policy makers sought to address this by requiring that providers actively engage in outreach to parents and community organizations. More general challenges are raised over the use of student choice as a mechanism for reform. Critiques of choice are plentiful, and we will not review them all here, but they include concerns that choice is never really "free" since all families do not have the same options.<sup>9</sup>

The features of Philadelphia's reform model for the first year and the model advocated by Hill and colleagues are enumerated in the table below.

Feature	"Diverse Providers Strategy" of Hill et al.	Philadelphia's "Diverse Provider Model"
<b>Performance and Flexibility</b>	<ul style="list-style-type: none"> <li>• Providers have contracts with clear performance indicators</li> <li>• Schools and providers choose and pay for instructional methods (including materials and professional development)</li> <li>• Schools are supervised via performance agreements vs. codes of rules</li> </ul>	<ul style="list-style-type: none"> <li>• Providers report on performance indicators (e.g., test scores, attendance, student transfers) but contracts do not specify a level of performance</li> <li>• Providers choose and pay for instructional methods (including materials and most professional development)</li> <li>• Provider-linked schools must meet the same district, state, and federal requirements as other city schools</li> </ul>
<b>Budgets and Resources</b>	<ul style="list-style-type: none"> <li>• Contractors receive a fixed amount per pupil, plus a management fee</li> <li>• Providers spend money at their own discretion</li> </ul>	<ul style="list-style-type: none"> <li>• Providers receive a set amount per pupil, plus a management fee</li> <li>• Providers have considerable discretion in spending money not related to staffing</li> <li>• "Thin management" limits control over staffing—the most significant part of a school budget</li> </ul>
<b>Staffing</b>	<ul style="list-style-type: none"> <li>• Providers hire teachers</li> <li>• Providers negotiate pay, benefits, and responsibilities directly with staff</li> <li>• Teachers pick schools</li> <li>• Schools are organized/unionized individually, not district-wide</li> <li>• Provider selects principals</li> </ul>	<ul style="list-style-type: none"> <li>• Providers abide by union contracts, affecting pay, working conditions, and who they can hire:                             <ul style="list-style-type: none"> <li>• Providers hire teachers through district process</li> <li>• Some teachers choose schools through seniority</li> <li>• Providers can recommend principals, who then go through hiring process with the district</li> </ul> </li> <li>• Some schools selected their own new teachers, (prior to assignment to provider), with providers' continued role in this process unclear</li> </ul>
<b>Selection of Providers</b>	<ul style="list-style-type: none"> <li>• District-level staff assign providers to a school<sup>10</sup></li> </ul>	<ul style="list-style-type: none"> <li>• District selected providers and assigned them schools</li> <li>• District developed its own Office of Restructured Schools to act as a separate "provider" for a number of schools</li> </ul>
<b>Assignment of Students</b>	<ul style="list-style-type: none"> <li>• Students and parents choose schools and schools admit students by random selection</li> </ul>	<ul style="list-style-type: none"> <li>• Students attend neighborhood schools, magnet schools, or schools designated for desegregation</li> <li>• Students have more choice than in past due to charter schools and <i>NCLB</i> legislation, but choices are not increased as a result of the diverse provider model</li> </ul>
<b>Oversight</b>	<ul style="list-style-type: none"> <li>• A set of independent institutions provide oversight, evaluation, and support</li> <li>• Civic oversight group mobilizes support for reform and for sustaining effort</li> </ul>	<ul style="list-style-type: none"> <li>• District staff monitor providers' compliance with contracts and monitor outcomes for all schools (provider and non-provider). The School Reform Commission, appointed by the state and city, renews and approves provider contracts</li> </ul>

## Initial Steps toward Implementation in Philadelphia

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In December 2001, the state and city signed an agreement for the “friendly takeover” of the district, and subsequent negotiations resulted in shifting partial control of 66 low-performing schools to a number of “diverse providers” consisting of for-profit companies, nonprofit organizations, local universities, and the new district Office of Restructured Schools (ORS).

The specifics of the diverse provider model changed rapidly during negotiations around the takeover; once an agreement was reached, the model was swiftly put into place. Preparations for the diverse provider model began that winter, with the intention of having providers and schools matched and working together by the fall of 2002. Schools were selected for the diverse provider model based on their 1998-99 Pennsylvania System of School Assessment (PSSA) test scores, which provoked anger among some principals whose schools were targeted even though they had reported improved test scores in the intervening years.

Seven organizations were selected as providers:

- Three national for-profit educational management organizations, or EMOs (Edison Schools—20 schools; Chancellor-Beacon Academies—5 schools; and Victory Schools—5 schools)
- Two local nonprofit organizations (Foundations, Inc.—4 schools; and Universal Companies—3 schools<sup>11</sup>)
- Two universities (University of Pennsylvania—3 schools; and Temple University—5 schools)

In addition, the district’s new Office of Restructured Schools was assigned to manage 21 schools and four other schools were slated to become charter schools.

Providers were assigned to schools in a variety of ways. For the most part, the EMOs were assigned to the lowest-performing schools, and Edison received a disproportionate number of middle schools. Local organizations (including the universities and nonprofit organizations) were assigned either schools with which they were already working or schools in communities where they had a presence. The district’s contracts with the universities differed from those with the for-profit and nonprofit EMOs; universities were expected to do less management than the other providers and to focus on supplying educational supports and professional development.

Each of the providers’ schools received additional funding, ranging from \$450 to \$881 per student. Except for university contracts, district officials accounted for the disparity in per-pupil funding by explaining that the formula was based on a combina-

tion of the difference between teacher salaries at each school and average salaries district-wide and the presumed district savings for central office support.<sup>12</sup>

In April 2003, when the school district made its first decisions on whether to retain current providers, spring test scores were not yet available for comparison with fall scores. As a result, district officials drew largely on information collected from school visits (many conducted in the fall), data on student transfers, and parent and employee surveys.<sup>13</sup> Other than deciding to cancel the contract with Chancellor Beacon Academies, the district made few drastic changes, saying that it was too soon to gauge success or failure.<sup>14</sup> CEO Paul Vallas did, however, negotiate a reduction in additional funding for EMOs.<sup>15</sup>

## Theory and Practice: Provider, School, and District Relations in the First Year

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According to Hill, Pierce, and Guthrie, “Contracting creates clear, reliable, and legally enforceable relationships between school operators and public officials.”<sup>16</sup> Such clear and reliable relationships between district officials, providers, and school staff did not develop during the first year of Philadelphia’s diverse provider model. For principals, one of the most challenging aspects of the diverse provider model was determining the roles and relationships among different actors in the system. While the theory posited that competition among providers would lead to school improvement, principals in Philadelphia experienced a set of increased and conflicting demands on them in their role as middle managers.

In addition, Hill and his colleagues advocate for a new system of urban school governance in which the central office plays a minimal role in the operations of individual schools. In Philadelphia, however, relationships between principals and the central office remained highly important for school operations, and provider-linked schools were often impacted by central district reforms.

Hill and his colleagues acknowledge that teachers and principals are the school players who “power the reform,”<sup>17</sup> yet they do not clearly articulate the role the principal should play within the diverse provider model. It is assumed that the principal would be a part of the provider’s organization but, in Philadelphia, providers could select principals only within the bounds of union agreements, which effectively limited providers from doing more than making recommendations. This situation served to structurally place the principal in a double bind, being held accountable to both district (employer) and provider (boss).

There was also no guidance for the distribution of decision-making between the providers and the existing governing structures within the school and no clear delineation of job responsibilities for the principal, either in the Diverse Providers strategy or in Philadelphia's diverse provider model. While the principal's role may have been intentionally left vague in order to allow providers some flexibility, in practice, during the first year it led to a variety of approaches and significant confusion for principals.

### **The Role of the District Central Office**

In *Reinventing Public Education*, Hill, Pierce, and Guthrie argue that a reform built on contracting should include a district office that plays a minimal role in the operations of schools managed by providers other than the district.<sup>18</sup> In Philadelphia, the central (and regional) offices still played a considerable role in school operations, with both positive and negative consequences. Most providers were technically responsible for the day-to-day operations of their schools, yet the division of responsibility between the central office and the provider often seemed uncertain.

While schools still relied on the district office for basic support, principals reported that, in some cases, the district treated provider-linked schools as “second-class citizens,” especially those operated by EMOs (rather than universities or the district's Office of Restructured Schools). Principals said they felt that provider schools were placed last on the district's list for materials and other resources. They received information from the central office late or sometimes not at all. In one case, a principal complained: “What I did not anticipate and have tried to shield from the staff are the very mixed messages from the district. For example, one of my secretaries called the district about a computer problem. The person at the district who answered the phone said, ‘Oh, you're [with an EMO]’ and just hung up on her!”

The politics surrounding the diverse provider model may have led some district employees to be hostile to the existence of provider-linked schools, even though they were charged with providing support. Although the office that had direct responsibility for support was viewed as very “fair” by provider staff and principals, staff from the offices of two providers thought that others at the district hoped the diverse provider model would fail.

Principals in provider-linked schools were uniformly frustrated that their schools had been passed over for grants from the central office or the state Department of Education, particularly Reading First grants. The principals submitted grant proposals unaware that the

state had decided that provider-linked schools were ineligible for limited Reading First funds because these schools had received extra funding when they were assigned to providers. Some principals also were frustrated when funds for improved PSSA scores were temporarily pulled from their budgets. Although this occurred in schools throughout the district, it added to the sense of unfairness felt by principals at provider-linked schools.

Principals complained of poor communication between the provider and the district, including inaccurate information being passed from one entity to another. One principal proposed that the sense of competition between the district and the providers limited productive communication between the two, which is inconsistent with an underlying assumption of the Diverse Providers strategy—that healthy competition would benefit all schools. He said, “There seems to be competition between the district and the EMO as to who is really in charge. ...There's a power struggle going on. The left hand does not know what the right hand is doing.”

*Liability and Responsibility* The structure of Philadelphia's diverse provider model placed the ultimate responsibility for the provision of education in the hands of the school district, which delegated the task of school operations to providers. However, if compliance issues developed around special education or safety concerns in provider-linked schools, the district could potentially be liable for failing to provide necessary services. For this reason, the district retained some control of the special education budget for all district schools. Similarly, when issues of student discipline and school safety developed in provider-linked schools, district staff stepped in despite this being a responsibility of the provider, offering staff and resources at district expense. Such superceding of the diverse provider structure had the potential to protect students, but it also was symptomatic of the confusion principals experienced about the roles and responsibilities of provider and district.

The division of responsibility between the central office and provider seemed particularly uncertain in relation to special education. The provider contracts specified (in the case of EMOs) that providers were responsible for high-incidence programs (i.e., home instruction, speech/language therapy) and the district for low-incidence programs (i.e., autism support, multiple disabilities support).<sup>19</sup> However, many principals expressed concern that appropriate services were not being provided by either party. While some providers chose to buy all special education services from the district, others chose to provide some services themselves. Some providers supplied what principals

saw as excellent consultants on special education, while other principals described receiving no support for special education. In some cases, principals took upon themselves the responsibility for continuing the special education services their school had offered in the past.

Several principals were actively concerned about the poor coordination of special education services and worried that their school was in violation of legal obligations. As one principal said, “I haven’t gotten special education support from anybody. The legality of it all scares me.” Another principal saw both the district and provider as passing off responsibility for meeting students’ special needs. In an incident at her school, a parent complained to the regional office about a child not receiving appropriate special education services, and the regional officer told the parent that it was the provider’s responsibility. A meeting about the incident was supposed to be held at the central office, with the provider at the table, but the provider said it was never told about the meeting.

*The Push and Pull of Competing Reforms* In July 2002, former Chicago schools CEO Paul Vallas was appointed as the new CEO of Philadelphia schools. By the time Vallas arrived, the basic structure of the diverse provider model had already been negotiated. However, Vallas was convinced that the district could be turned around academically and financially by an efficient central bureaucracy and did not pursue the consultant contracts for district functions initiated by the School Reform Commission. He was quoted as saying, “There’s no need for that. That’s what I’m here for.”<sup>20</sup> In addition, he enacted district-wide reforms that immediately contributed to shaping the way the diverse provider model was experienced. These new, district-wide initiatives—sometimes linked to the federal mandates of *No Child Left Behind*—created questions about who was responsible for their implementation in provider-linked schools. The central office mandates also shifted attention away from the diverse provider model itself, simultaneously shielding the district from critiques of privatization and deflecting the interest the reform had generated. As one provider commented, “Vallas is changing all the rules. We feel like we are being sucked into the tidal wave of centralized control.” And one school principal observed, “This will be a wrestling match. ...It’s still difficult to know the power of the partner and the power of the school district.”

When Vallas announced his plan to institute a core curriculum across the district, many principals in provider-linked schools were supportive. They believed that standardizing curriculum across different schools

in the district could help address the challenges of a highly mobile student population and seemed willing to sacrifice school-based curricular control for district-wide continuity. As one principal said, “The district is mandating a standardized curriculum. We’re exempt from that, but what about our kids who move? We have a high mobility rate. Are we doing them a dis-service? Do we stay with [our curriculum] or go with the district?”

Vallas proposed multiple initiatives that put pressure on many facets of the system, as is often true with new district leaders. Some principals dealt with the uncertainty of the year by adopting a “wait and see” attitude, in particular toward the initiatives coming from the central office.

### The Role of the Principal

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Hill, Pierce, and Guthrie argue that schools, in a contracting system, should have much more autonomy than is traditional under current district structures.<sup>21</sup> However, it is unclear from their model who assumes this additional authority and how authority is divided between school staff and providers. In Philadelphia’s first year of reform, when schools generally did not select their provider and when most providers did not choose their schools’ principals, the question of who held authority at the school site was particularly confusing.

*Serving Multiple Masters* Over and over, principals expressed that they felt as if they were “serving two masters” in trying to juggle responsibilities to their provider and to the district, often in response to the push and pull between the diverse provider model and district mandates. Our interviews revealed that during 2002-03 many principals were in fact serving *multiple* masters. Principals felt pulled by the provider, the central office, teachers, the teachers’ union, regional district offices, and their own professional judgment. The most pressing challenges for principals of provider-linked schools were the day-to-day practical issues of reporting, meetings, and paperwork. Principals sometimes had to report to their provider, their regional office, and the central office. As one principal said, “[I have to] do everything twice, once for [the provider] and once for the regional office.” Another commented, “My fax machine is burned out, because I send everything to both offices.” They complained that the increased paperwork kept them from spending time in the classroom, and they were frustrated that they were often asked to respond to district requests at a moment’s notice.

Beyond a schedule filled with additional meetings, principals often received conflicting directives about which meetings they should attend. One reported, “There are Philadelphia principal meetings every two weeks. First, there was a memo that said, ‘EMO schools need not attend.’ So, I didn’t go. Then the district asks, ‘Why don’t you come?’ ” It was also not uncommon for required meetings of the district and the provider to be scheduled for the same time.

Many of the teachers, principals, and administrators involved in implementing the diverse provider model were long-time district employees with firmly established social and professional networks in place.<sup>22</sup> As a result, many principals dealt with the challenges of serving multiple masters by relying on previous relationships with district employees. This meant that principals sometimes established an alternative communication structure to the district/provider hierarchy. One principal observed, “The thing is that I have a history with almost everyone at [the central office]. If I need to reach [a district staff person], I can call her on her cell phone and reach her even if she’s in the middle of a meeting. ...Others don’t have that access.”

Some principals used the lack of coordination between the provider and the district to claim more autonomy for themselves. For example, when two principals felt that their provider was offering little of value, they effectively cut off the provider, communicating only when necessary and looking entirely to the district for support. Other principals who received conflicting directives from the provider and the district simply chose the course of action they preferred or sought support from whichever entity was most amenable. “We have a terrible teacher in the third grade. [The provider] wouldn’t let me deal with discipline the way I wanted, so I worked through the district,” one principal said, adding, “I know it’s sneaky, but I have to do what I need to do to stabilize the building.”

Over the course of the spring of 2003, several principals reported that their providers had been able to improve some of the practical communication issues with the district. However, some tensions dissipated because of informal agreements, rather than formal changes in roles. This left open the possibility—as occurred in at least two of the schools whose principals were interviewed—that such informal arrangements could disappear with personnel changes in district or provider offices. While informal professional networks eased some principals’ transitions to operating their schools under outside providers, this was not a route available to principals new to the district or inexperienced principals (though some first time principals

did have informal connections to “mentors” through previous experiences in the district). Staff from the district office charged with working with providers took responsibility for creating forums for informal discussion in which central office staff, regional staff, and providers could hash out their differences.

*The Case of Principal Evaluation* Some of the poor communication and confusion of the first year stemmed from the fact that principals, providers, and district personnel were unclear about their roles and responsibilities. This was especially evident in the case of principal evaluation. The district had been struggling for several years to determine the appropriate process and criteria for principal evaluation. The multiple provider model introduced another question: *who* was responsible for evaluation? Principals in this study had a wide range of impressions as to who would assess their performance. Some believed the provider would evaluate them, others looked to the regional officer, and some said the provider would work *with* the regional officer. Even at the end of the school year, some principals still were not sure who would evaluate them.<sup>23</sup>

The confusion experienced in provider-linked schools was even stronger for new principals. CEO Vallas had required that all new principals in the district (including many of those interviewed) be designated “acting principals” in 2002-2003, leading many principals we interviewed to feel undercut in their abilities to act as effective building leaders. The new principals we interviewed, like principals in other district schools, worried about their union standing and were uncertain about the process by which they would be promoted to “appointed” principal status.

*Decision-making Authority* Though the Diverse Providers strategy emphasized a shift of power to the school level, it did not directly address the division of power between the principal and the provider. In Philadelphia, contractual agreements with the providers left open the relationship and did not lay out specific guidelines for the principal’s role. The principals in this study reported considerable variation in the levels of responsibility they were granted, both across providers and across schools operated by the same provider.<sup>24</sup>

In one set of cases, principals described being treated by the provider as an instructional leader with his or her own vision for educational change. For example, one principal said that provider staff “have been very clear that I’m the principal and that I should tell them what we need from them. I tell them what’s working and what’s not.”

In a second group of cases, principals said they were treated as instructional leaders who were responsible for implementing programs within guidelines set by the providers. One staff person for a provider told us, “We hired new principals. We asked them, ‘Did they see themselves fitting in?’ They were expected to implement the program.” A principal who felt comfortable in this role commented that “[the provider] came in with a great model. In [over 20] years as an educator, it’s the best model for urban kids I’ve seen. That’s why I came.”

In the last set of cases, principals believed that providers left little room for them to act as instructional leaders. One described the situation starkly: “This is the year of, ‘Don’t ask me, I’m just the principal.’” A staff member of one of the provider’s staff commented that some principals were in denial about the reason for their change in roles. “They think they know what they are doing,” he said.

In some cases, principals who initially felt constrained by their providers were able to negotiate increased decision-making power as they demonstrated their strengths and abilities. Even in cases where providers did not grant principals much authority, some claimed authority for themselves by superceding or bypassing the provider altogether. Where principals were able to do this, it was because existing relationships within the district allowed them to navigate around the providers.

#### *Loyalty and its Impact on Principal-Provider Relations*

When principals in schools under the diverse provider model were thrust into a complex set of relationships between the district, the provider, and the school, they often reported feeling a need to “choose sides,” expressing a primary affiliation with either the district or the provider.<sup>25</sup>

Among the affected schools, a few principals were recruited by the provider. The other schools retained their existing principal or were assigned a new one by the district. Some principals who had previously worked for the district maintained a certain amount of loyalty because they believed the district retained ultimate authority and, in the uncertain climate of reform, the district provided stability and job security. As one principal said, “Are we [the provider and me] a team here? No. I still work for the School District of Philadelphia. They’re the ones who hired me.”

Some principals, who originally resented being assigned to a provider, developed more loyalty to the provider as the year progressed. This was especially true if principals received supports that had not previously been available to them such as new curricular materials, additional staff, professional development,

or help negotiating the school district bureaucracy. As one principal put it, “[The provider’s attitude] is ‘How can we make this work? What can we do to help?’ They have a support mentality. The school district’s attitude is ‘You better do this or you will be written up because I’ve been told I have to write you up.’”

Principals who had been recruited by the provider and, in most cases, had been attracted by the philosophy of the provider, often had no prior relationship with the district. They reported a strong connection to their providers and often felt their job security rested with the provider, even though they were technically employees of the district.

#### *Provider Supports and Principals’ Satisfaction*

Overall, two-thirds of principals said that, given the choice, they would stay at the school with their current provider. Despite initial frustrations, this large group of principals seemed to believe that they had ultimately benefited from the support offered by the provider and/or the additional resources allocated to provider-linked schools. In contrast, about one-third of the principals believed that the provider had been a disservice to their school, distracting them from their instructional mission and even, in some cases, providing programs that the principals felt were of substandard quality.

Almost half of the principals at schools with new providers (including the district’s restructured schools) described strong agreement with the overall approach of their providers. A third of the principals valued some, but not all, aspects of the providers’ program. For example, one principal in this group appreciated the curricular materials the school had received, but was skeptical about the quality of professional development offered by the provider’s team of coaches.

Overall, principals reported increased staff as the primary support they received from their providers. About one-third of the principals started the year with a new assistant principal, auxiliary substitute, nurse, operations officer, teaching coach, curriculum coordinator, or additional teachers to help lower class size. However, some providers failed to keep promises regarding increased staff. Other principals were critical of staffing trade-offs the provider had made, such as the elimination of librarian positions (one principal was able to negotiate with the provider to reinstate the position).

A second key support supplied by most of the providers was curricular materials. However, principals’ experiences in receiving materials at the beginning of the year were extremely mixed, even across schools assigned to the same provider. While one principal said that his provider ensured that

materials arrived before school started and helped to distribute those materials, another principal working with the same provider said that her school had received insufficient materials and they were not organized or distributed. Similarly, though the vast majority of principals found professional development offered by their provider to be somewhat or very helpful, there was rarely a consensus, even among principals working with the same provider.

One reason for these varied responses may be that providers did, in fact, vary their interventions school by school. In a study of how much release time providers granted to teachers serving as curriculum coordinators, Useem and Teoh show “how middle school administrators and school managers district-wide have eschewed adoption of a ‘one size fits all’ approach to staff deployment.”<sup>26</sup> Their research shows that at eight Edison-managed middle schools, for example, staff release time varied considerably across sites.

## Conclusion

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Philadelphia’s model has evolved as an alternative to the vision of a diverse providers approach put forward by Hill and his colleagues. The district is optimistic that lessons they have learned from 2002-2003 are translating into a new and still evolving model of partnership between the district and outside education providers. Thus, Philadelphia is illustrative of the adaptations to the Diverse Providers strategy that may occur when there is not a consensus for turning extensive control over public schools to non-governmental entities.

The diverse provider model currently in place in Philadelphia is not driven by a single, unified theory of school change. Rather, it is the result of competing political interests and competing theories about the way to improve struggling urban schools. Nonetheless, the decision to contract out schools to private managers reflected a general belief that outside providers could bring new ideas and practices to the district and that the providers would have the autonomy to implement those ideas.

The “thin management” model the district adopted prevented providers from making hiring and other decisions that they felt were essential to their educational approaches. Principals, in particular, experienced the diverse provider model both as an opportunity for an infusion of new resources to their schools and as a complex and time-consuming new bureaucracy to navigate. Their experiences showed that the diverse

provider model did not generally offer the clear division of responsibility, authority, and accountability that was originally envisioned for privatization.

The diverse provider model was implemented despite political resistance throughout the system. Some of those who resisted any shift toward privatization were central office employees who were then expected to offer support to provider schools; as a result, they may have fulfilled these duties reluctantly and, according to principals, with hostility. Some resisters to the diverse provider model were principals themselves, who saw their schools’ placement with private providers as punishment rather than support and sought ways to oppose this imposition of new authority. Some teachers, as well as the teachers’ union, resisted the diverse provider model, making the principal’s job even harder.

The theoretical formulation of the Diverse Providers strategy, with its implication that providers will choose school leaders (or schools will choose providers) is absent here. In Philadelphia, the assignment of providers to schools and the limited ability of providers to choose principals created situations where there was no guarantee of alignment between school leadership and the provider.

Overall, Philadelphia’s diverse provider model layered new reforms onto old practices.<sup>27</sup> Principals coped with the demands and uncertainties of the diverse provider model by using the pre-existing relationships that had guided them through the system for many years. This web of informal relationships remains hidden in a more theoretical conception of the diverse providers approach.

*Potential Lessons from This Study* The “thin management” approach facilitated a compromise between the district and the teachers’ union and helped the district retain authority, but also likely helped to create greater uncertainty for those charged with putting the diverse provider model into place. Contracting out schools to private providers is a complicated task; issues of roles and responsibilities should be discussed at length in advance of turning school management over to private organizations. Processes should be in place for handling the uncertainties about roles and responsibilities that emerge during implementation.

Schools are unlikely to be completely separate from districts in terms of rules and oversight, and policy makers need to determine and formalize where regulatory oversight will continue (e.g., special education) and where autonomy will be granted to providers in exchange for progress on outcomes. Designers of diverse provider approaches need to

recognize and address the tension between schools' independence and the potential benefits of formal and informal district support.

There needs to be clarity about who gains power in a diverse providers approach—school staff or providers. A shift of power towards providers maximizes the provider's ability to implement its model, but minimizes principal authority and school-based decision-making. On the other hand, a shift of power in the direction of schools maximizes local control over issues such as staffing and budget, but minimizes the providers' potential impact.

Since these data were collected, Philadelphia has moved forward with implementing the diverse provider model. In the coming years, there are important issues to watch as they develop. For example, how does the distribution of power among the central office, the providers, and the schools influence students' experi-

ences? Do providers gain or lose credibility with educators, parents, and political figures? Does the autonomy of providers increase or decrease as CEO Vallas and the central office move forward on their district-wide agenda? How does the overall balance of power affect which providers (and what types of providers) stay engaged in Philadelphia?

There is also the underlying question of whether changes in the governance structure ultimately affect the basic conditions for student learning—such as staffing, materials, and instruction. In Philadelphia, the fears associated with giving up “district control” to both the state and to providers were closely tied with concerns about giving up “public control” of education. The experiment in Philadelphia offers the opportunity to learn about the possibilities that private providers bring to public education reform and the limitations (both political and educational) of their involvement.

## Endnotes

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<sup>1</sup> The term “provider” is used to describe the different organizations hired to work with low-performing schools in Philadelphia, consistent with the diverse provider model, rather than “manager” or “educational management organization (EMO)” (two other terms commonly used in Philadelphia). This usage is both to reflect that not all providers are EMOs (i.e., universities and ORS are not EMOs) and that not all providers “manage” the schools with whom they work (i.e., the universities). However, when people interviewed specifically used the term “EMO,” or when comments are specifically about the subset of schools within the diverse provider model that are being managed by an EMO, the term EMO is used.

<sup>2</sup> Hill, P.T., Campbell, C., & Harvey, J. (2000). *It Takes a City: Getting Serious About Urban School Reform*. Washington, DC: Brookings Institution Press; Hill, P.T. & Celio, M.B. (1997). *System-Changing Reform Ideas: Can They Save City Schools?* Washington, DC: Brookings Institution and the University of Washington. In this paper we use “Diverse Providers strategy” to refer to the model presented by Hill et al. and “diverse provider model” to refer to Philadelphia’s adaptation.

<sup>3</sup> Hannaway, J. (1999). *Contracting as a Mechanism for Managing Education Services* (Policy Brief N. RB-28). Philadelphia: Consortium for Policy Research in Education.

<sup>4</sup> Hakim, S., Seidenstat, P., & Bowman, G. (1994). *Privatizing Education and Educational Choice: Concepts, Plans, and Experiences*. Westport, CT: Praeger.

<sup>5</sup> Nevels, J.E. (2003). “The Role of Entrepreneurship in Urban Education: Past, Present, and Future.” Law and Entrepreneurship Lecture presented at the Institute for Law and Economics at the University of Pennsylvania.

<sup>6</sup> Hannaway, J. (1999). *op. cit.*

<sup>7</sup> Richards, C.E., Shore, R., & Sawicky, M. (1996). *Risky Business: Private Management of Public Schools*. Washington, DC: Economic Policy Institute. p.2.

<sup>8</sup> Ascher, C., Fruchter, N. & Berne, R. (1996). *Hard Lessons: Public Schools and Privatization*. New York: Twentieth Century Fund Press.

<sup>9</sup> Boyer, E.L. (1992). *School Choice: A Special Report*. Princeton, NJ: Carnegie Foundation for the Advancement of Teaching; Wells, A.S. (1993). *A Time to Choose: America at the Crossroads of School Choice Policy*. New York: Hill and Want.

<sup>10</sup> Hill et al. lay out an alternative model in which school-level staff may choose providers from among a district-approved group. The table refers to the model in which the provider is hired by district staff.

<sup>11</sup> One of these was a newly designated charter school that Universal Companies was hired to assist.

<sup>12</sup> School District of Philadelphia. (2002). “School Reform Commission Reaches Agreement with Education Management Organizations” (Press release). Philadelphia, PA.

<sup>13</sup> Snyder, S., “Philadelphia District May Add School Managers,” *Philadelphia Inquirer* (2003, April 10); Snyder, S. & Woodall, M., “Schools to Make Modest Changes,” *Philadelphia Inquirer* (2003, April 17).

<sup>14</sup> The *Philadelphia Inquirer* reported that the district “largely plans to stay the course for another year, with some tweaking. District officials said the decision was not a blanket endorsement of outside management, but a recognition that more time was needed to measure its success. No test score comparisons are yet available.” Snyder, S. & Woodall, M., *op. cit.* However, one manager—Chancellor Beacon—would be dismissed “for convenience,” which was allowed under the contract. Chancellor Beacon was criticized by teachers and district leadership as not providing adequate staff training and materials and failing to make meaningful improvements. Snyder, S. & Woodall, M., “School Manager May Get the Ax,” *Philadelphia Inquirer* (2003, April 17); Dean, Mensah, “Chancellor Beacon is Fired,” *Daily News* (2003, April 17).

<sup>15</sup> Vallas initially tried to reduce funding for all providers to \$450. Legislators responded by threatening to withhold state money if Vallas carried through with this plan. In the end, a compromise was reached in which the providers received the original amount of money they had contracted for (slightly less than they received the first year) and Vallas received extra money from the state to move forward with his high school reform efforts.

16 Hill, P.T., Pierce, L., & Guthrie, J. (1997). *Reinventing Public Education: How Contracting Can Transform America's Schools*. Chicago: University of Chicago Press, p.121.

17 Hill, P.T., Campbell, C. & Harvey, J. (2000). *op. cit.*, p. 31.

18 Hill, P.T., Pierce, L., & Guthrie, J. (1997). *op. cit.*

19 Low incidence programs are defined by the district as Autism Support, Life Skills Support, Multiple Disabilities Support, Hearing Impaired Support, Vision Impaired Support, and Language Impaired Support. High incidence programs include home instruction, extended school year or extended day services, speech/language therapy, counseling, and occupational therapy.

20 Brennan, Chris, "Vallas Kills Consulting Pact Sought by Edison Schools," *Daily News* (2002, July 25).

21 Hill, P.T., Pierce, L., & Guthrie, J. (1997). *op. cit.*

22 It is also important to note that providers had quite varied previous relationships with the district, which affected the way they could implement their programs. Some providers employed many former district staff members, while others were composed primarily of outsiders to the school district and to Philadelphia.

23 Many principals commented on the perceived unfairness of the current system of evaluation, regardless of who actually was responsible for the evaluation. They felt that their evaluation should not be based only on test scores and that factors such as student mobility and poverty should be taken into account. They also called for a common evaluation rubric across the district, without the quotas they believed the district imposed for the number of principals who could receive marks of "exceeded expectations" or "greatly exceeded expectations." Principals felt it was unfair that their salaries were held down by low test scores while assistant principals and other staff received their salary increases regardless of school scores. According to district staff, the concerns they raised reflected an on-going struggle with issues around principal evaluation.

24 The findings in this section come from two sources—the interviews described earlier, and a brief survey completed during the final interview (16 principals filled out surveys). Here, we compare the responses to a survey question asking how often principals were able to use their own professional judgment and experience with interview data in which principals describe their involvement in the budgeting process, staffing decisions, and curricular choices.

25 The ORS provided a unique case for principal loyalty, because, unlike other providers, it was not positioned in opposition to the district. Principals could express satisfaction with the ORS without indicating a dislike for the district or risking their status as district employees (or future job promotions within the district). However, some principals at ORS-managed schools clearly preferred working with their former regional office, while others felt ORS provided them valuable support.

26 Useem, E. & Teoh, M. (2003). *Current Issues in Middle School Operations: A Briefing Paper for the School District of Philadelphia*. Philadelphia, PA: Philadelphia Education Fund, p.10.

27 For more information see Hess, F.M. (1999). *Spinning Wheels: The Politics of Urban School Reform*. Washington, DC: Brookings Institution Press.

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Research for Action (RFA) is a Philadelphia-based, non-profit organization engaged in education research and evaluation. Founded in 1992, RFA works with public school districts, educational institutions, and community organizations to improve the educational opportunities for those traditionally disadvantaged by race/ethnicity, class, gender, language/cultural difference, and ability/disability.

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