



Learning from Philadelphia's School Reform

The State Takeover in Philadelphia: Where We Are and How We Got Here

On December 21, 2001, the Commonwealth of Pennsylvania took direct control of the Philadelphia public schools, declaring the school system academically and financially distressed. At that moment the School District of Philadelphia became the largest school district in the country ever put under direct state control, albeit in cooperation with the mayor. The following bulletin explains the issues underlying the state takeover. It also discusses the shifts and changes in plans for the District that were initiated since the takeover.

Roots of the Takeover

The state takeover has its roots in a history of inequitable financing, chronic low District test scores, and the market-focused orientation of key state policymakers.

- ◆ **Fiscal Inequities:** Pennsylvania ranks significantly below average in the percentage of state tax dollars devoted to education. As a result, many Pennsylvania districts rely heavily on local property taxes, a situation that has produced gross inequities among school districts' per-pupil spending. In 1993, the Pennsylvania legislature voted to freeze the state's funding formula so that state allocations for districts no longer increased in response to increases in enrollment, proportion of students with special needs, or ability to raise local taxes. The legislation was especially harmful to Philadelphia, which experienced increased enrollment during the 1990s and had a disproportionately high number of students with special needs. Even though the city's local tax rate is essentially double that of surrounding counties, property values in Philadelphia are so low that the District was not able to compensate for the loss of state funds. Confronted with an ongoing (\$200 million plus) deficit in projected District school budgets and an ultimatum from then-Superintendent David Hornbeck to adopt an unbalanced school budget if the state did not provide sufficient funding, the legislature in 1998 passed Act 46, which allows the state to take control of financially troubled school districts. Almost at the same time, city, District, and community leaders filed two major lawsuits. In 1997, they contended that Pennsylvania's school funding did not provide a "thorough and efficient" education, only to see their suit – based on the same premise that has overturned state finance laws in many states – dismissed without a hearing. In 1998, city leaders filed a federal civil rights suit contending that the state's funding practices discriminate against school districts with large numbers of non-white students. The city agreed to put this case on hold when Mayor John Street negotiated the "friendly" state takeover of the District, with the promise of additional funding from the state.
- ◆ **Chronic Low Performance:** During the late 1990s, Philadelphia students continually performed below grade level on the state (PSSA) tests and on the nationally normed SAT-9 test. While scores in the District rose during these years, and subsequent analysis has shown that District scores increased at a faster pace than the increase in the mean in test scores across the state, the absolute scores were still quite low overall, and dropout rates at many middle and high schools were quite high. In 2000, the state legislature passed the Education Empowerment Act, which put Philadelphia on a list of eleven Pennsylvania school districts that were slated for takeover in three years if PSSA test scores did not improve.

- ◆ **Political and Ideological Roots of the Takeover:** Part of the impetus for the state takeover was the opportunity it gave state leaders to test out some of the theories underlying alternative market-based approaches – such as charters, vouchers, and privatization – to governance and management of schools. Vouchers were advocated by former Governor Ridge, and Republicans in the legislature twice tried to pass voucher bills to enable parents to send their children to private schools. After these attempts failed, public charter school legislation in Pennsylvania was approved in 1997. At that point, charter schools became the major form of “choice” available in Pennsylvania. Today, there are over 45 charter schools in the District, which has by far the largest number of charter schools in the state, although almost all of the existing charter schools in Philadelphia pre-dated the takeover. Meanwhile, the takeover has led to the largest experiment in private management of public schools to date.¹

Takeover Developments (Summer 2001-Fall 2002)

Summer - Fall 2001: The Edison Study and the Establishment of the School Reform Commission (SRC)

In summer 2001, the state hired Edison, Inc., a for-profit educational management company, for \$2.7 million to evaluate the condition of the School District of Philadelphia and to make recommendations for the state takeover. The contract was awarded despite the lack of a competitive bidding process and the company’s inexperience in evaluating and managing school districts.

Edison’s report, issued in October 2001, proposed that up to 100 of the lowest-performing schools in the District be placed under private management (presumably by Edison). The report also concluded that the School Board should be replaced by a five-member School Reform Commission (SRC), which would then hire a CEO, and that most central administration functions should be contracted out.

Vigorous opposition from students, grassroots advocacy groups, unions, and the mayor yielded a final takeover plan quite different from Edison’s original proposal. Mayor Street refused to negotiate until the State withdrew its plan to hand over management of the District’s Central Office to Edison. In December 2001, the city and state negotiated increased expenditures for the District as part of a “friendly takeover.” The governor promised to contribute an additional \$75 million to the District (although the final funding decision was actually in the hands of the legislature) and the city promised to contribute an additional \$45 million. The state then moved ahead with plans to appoint SRC members, which then would hire a CEO to run the District. The SRC included three members appointed by the governor and two by the mayor.

Governor Mark Schweiker, who took over after Ridge’s departure for Washington D.C., appointed Jim Nevels as chair of the SRC. Nevels – formerly a member of the Board of Control in Chester, PA, the only other Pennsylvania school district at the time under state takeover – took immediate action, signing several contracts and announcing, with the governor’s approval, that Edison was in line to manage 60 of the lowest-performing schools.

Winter - Spring 2002: Shift to New Providers

Facing public outcry against Edison’s role in managing so many schools without any formal selection process, the SRC called for an open process to select diverse providers. These providers would include for-profit and not-for-profit educational management organizations (EMO’s), as well as university partners, to run individual schools. The District would also accept bids for contracts to provide services previously overseen by the Central Office, such as transportation, food service, and facilities management.

The SRC received proposals from 27 private providers to manage schools and from 31 to provide District services. However, the role that Edison would ultimately play remained a topic of intense speculation. Opposition to Edison continued to mount as part of general opposition to school takeovers by private for-profit companies. Ultimately, the SRC announced 86 elementary and middle schools that would be managed by private providers or partnerships with universities, as well as a handful of schools to be converted to either charter or “independent” school status. The list of schools was based on the 1998-99 PSSA scores, but it included some schools whose PSSA scores had significantly improved between 1999 and 2001 and which as a result had received monetary rewards from the state. After an outcry from these improving schools, the SRC approved the removal of 16 schools from the intervention list.

¹For a detailed account of the events preceding the state takeover, see J. Christman and A. Rhodes, Civic Engagement and Urban School Improvement: Hard-to-Learn Lessons from Philadelphia, June 2002. Available at www.researchforaction.org or www.cpre.org.

In April 2002, the SRC paired schools on the takeover list with specific educational management organizations and partners. Three providers were private, for-profit companies (Edison, Victory, and Chancellor Beacon), two were private, not-for-profit companies (Foundations and Universal), and two universities (the University of Pennsylvania and Temple University) were identified for “partnerships” with schools in the District. Edison was paired with 20 schools. Other providers, including the universities, were assigned between three and five schools each.

In addition, three schools on the takeover list were transformed into “transitional” charter schools; and the District also announced that 21 of the 70 lowest-performing schools would be reconstituted under a District management model, implemented by the Office of Restructured Schools (ORS).

The providers’ approaches included changes in some or all of the following areas: curricula, professional development, scheduling, class-size reduction, after-school programming, assessments, behavior management programs, and academic coaches. Several providers proposed regular benchmark-type assessments to provide teachers timely feedback on individual student performance. The approaches of the providers varied in terms of their underlying philosophy and the types of curriculum and instruction they proposed. For instance, in literacy, the approaches varied from direct instruction and an emphasis on reading skills and phonics used by Victory to a partially scripted approach in Success for All used by Edison, to a balanced literacy approach with an emphasis on guided reading used by the University of Pennsylvania.

Teachers in all of the low-performing schools under new management, including the ORS schools, were given the option of transferring to another school in the District. No school had a choice about the provider with which it would be paired and the critical element of “buy in” to the manager’s approach by the whole teaching staff was not an option.

Summer 2002: The Arrival of Paul Vallas

In July 2002, after an intensive search, the SRC hired Paul Vallas, the former Chicago CEO known for his hard-hitting but efficient management approach. Under his watch, the Chicago system had achieved peace between the school district and the teachers union, and balanced the school budget for the first time in several years. Vallas also had implemented a strong accountability system based on high-stakes testing, required summer school for large numbers of failing students, and ended the practice of social promotion. Initially these measures resulted in improved test scores for Chicago students; subsequently the test gains plateaued and Vallas resigned his position as CEO.

In Philadelphia, Vallas accepted the diverse provider model that the SRC had already put in place and negotiated contracts with individual providers that included substantial extra per-pupil dollars. The amount of extra funding per pupil ranged from more than \$850 to schools paired with private, for-profit managers, to \$650 to schools paired with private, not-for-profit managers, to \$550 to schools managed by the ORS, and \$450 to the university partnership schools. Vallas announced that he would not hesitate to cancel contracts of providers that did not perform adequately. At the same time, he cancelled the proposed contracts with outside providers to manage aspects of District administration, including an \$18 million contract with Edison, which the SRC had named the “lead provider,” contending that oversight of central administration functions was what the SRC had hired him to do.

Soon after his arrival, Vallas announced several important district-wide initiatives. These included: a strict zero-tolerance discipline policy and the establishment of new alternative schools for students who violated the code of conduct; the transition to K-8 schools; and facilities improvements, including the financing and construction of nine new smaller high schools. He also announced plans for a stronger focus on academic standards and accountability, utilizing extended day programs and summer school for students scoring “below basic” on standardized tests. Finally, he proposed a five-year financial plan to support these initiatives, coupled with a rigorous search for unused and mismanaged funds, which he anticipated would save the District several million dollars annually.

Plans for the Second Year (2003-04)

In spring 2003, Vallas made plans for additional district-wide initiatives during the second year to intensify the focus on instruction. All elementary students would be required to have 120 minutes of literacy and 90 minutes of math daily, using district-wide core curricula in literacy and math. Middle school students would have 90 minutes each of literacy and math. Academic Coaches (later renamed Content Leaders) in literacy and math would be designated at each school to support these efforts. New Teacher Coaches would work with 10 to 15 beginning teachers throughout the academic year as well as provide extensive professional development for teachers. Students would be released early for two hours a week twice a month, so that teachers could attend professional development sessions during the school day. Only about 10% of the schools in the district were designated by the state in fall 2003 as meeting "adequate yearly progress," and Vallas cannot afford to concentrate only on the lowest performing schools.

Multiple Theories of Action at Work

Underlying CEO Vallas' many initiatives to reform the Philadelphia education system are theories of action concerning governance, pedagogy, and finances, some of which decidedly conflict with others.

- ◆ **Governance.** The District is committed to implementing the diverse provider model as originally laid out by the state, and, in spring 2003, Vallas announced that he wanted to expand to more providers (mostly university and not-for-profit) in the future. Late in the summer he named additional partnerships between 15 schools and 6 local universities, the Franklin Institute, and K12, a for-profit company. This theory of action, which puts faith in a decentralized approach to improving education, runs counter to Vallas' actions to centralize the management of the school system, as evidenced in the many district-wide initiatives in areas such as curriculum and instruction, professional development, discipline, and facilities development that he has implemented.
- ◆ **Teaching and Learning.** The District emphasizes teacher development and coaching and has implemented common curricula – a comprehensive balanced literacy approach in reading, language arts, and writing, and a problem solving, applied approach in mathematics – to improve the quality of instruction and the learning process of students. At the same time, a heavy emphasis on accountability, with increased stress on test prep and standardized test scores to measure student learning, is in place. These two theories of action differ about how to motivate and effect student learning.
- ◆ **School Finance.** The state legislature has been unwilling to give extra funds to the School District of Philadelphia, as a whole, to compensate for the funding it lost as a result of the 1993 legislation, despite the extra expenses associated with growing enrollments, the effects of poverty, and large numbers of students with special needs. The argument is that giving more money to districts that have not used it effectively in the past would be misguided (and, in fact, during his first year as CEO, Vallas found millions of dollars in the school budget that were being misused or under utilized.) This theory of action, however, conflicts with the legislature's decision in 2002 to provide substantial amounts of extra per-pupil funding to low-performing elementary and middle schools under the diverse providers. Their firm belief in the power of privatization and competition to reform education, even if extra funds were required, was evident when, at the end of the first year under state takeover, Vallas proposed to level the playing field and give each of the diverse providers the same, extra per-pupil funding - \$450. Because of opposition from some of the providers who would have lost a substantial amount of money, the state overrode Vallas and kept the distribution of extra funding for different providers the same as the first year, though the private, for-profit providers fees were reduced to \$750 per pupil. (Somewhat ironically, EMOs often advertise that they can use more efficiently the same per-pupil funding as the districts in which they work, producing better academic results and also making a profit.)

Note: As of November 2003, the Pennsylvania legislature had not passed the state education budget for 2003-04, leaving many districts, including Philadelphia, scrambling to borrow money to meet their payroll and operating costs.

Results of the First Year under Diverse Providers (2002-03)

The multiple layers of reform in Philadelphia are complicated and the results of the varied interventions will only emerge gradually, despite the public's eagerness to know which model(s) are the winners. During the 2002-03 school year, a team of researchers led by Research for Action examined the ways in which the diverse provider model was implemented in the lowest-performing schools. The research involved a series of interviews with principals in twenty of the lowest-performing elementary and middle schools that were being managed by the range of for-profit and not-for-profit companies, university partners, as well as ORS and charter schools. The researchers also participated in a series of day-long intensive site visits to schools as participants in the state-mandated School Works evaluation process and interviewed staff members of the education provider and partner organizations.

Initial findings, based mainly on the perspectives of the principals that we interviewed, suggested that no one manager's approach was uniformly successful or unsuccessful in every school in which it operated. Rather, there was probably as much or more variance within the schools under a given manager as across them. Every manager had at least one or more schools that were working well to create a focus for learning and one or more that were not. The middle schools were, in general, less successful than the elementary ones. Rather than the model alone being critical to what occurred in a school, we found that it was the existing capacity, especially the principal's ability to adapt the model that was key in determining how well the school was doing.

While a manager's approach is assumed, in theory, to be implemented systematically across all of its schools, in many cases the critical factor was a principal who used what the model provided but also pushed back and adapted the model to his or her school. The working hypothesis underlying the diverse provider model is that it is largely the manager's model that will make the difference in student outcomes. However, we tentatively concluded that a top-down, command-and-control model of school improvement by managers was not the key factor in many of the most successful schools during the first year. Rather, it seemed that individual schools were successful when principals relied on their professional judgment and adapted the manager's approach to build a professional learning community, even to the point of being subversive of the manager's directives in some instances.

In our interviews with principals in the takeover schools, we found that many felt that they were serving two masters – the provider and Central Office, which retained control over accountability, budgets, and compliance with special education requirements, for example. The lack of clarity created both confusion and distress, but also the opportunity for creative problem solving on the principals' parts. Principals in most schools believed that their performance and the performance of the school would be judged largely on test score results, which some principals argued was an overly narrow indicator of what they had achieved in their schools.

Research for Action will continue to follow the dynamics and trajectories of the schools under diverse providers. RFA plans to use both quantitative and qualitative research methods to examine: the effects of the reforms on teacher quality; the influence of new funding; factors affecting student achievement; and Philadelphia's civic capacity to support education.

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