

# **Radical Privatization in Philadelphia: School Leaders as Policy Entrepreneurs**

William Lowe Boyd  
Pennsylvania State University

Jolley Bruce Christman  
Research for Action

Elizabeth Useem  
Research for Action

## **INTRODUCTION**

Recognizing the repeated failure of many conventional approaches to improving urban districts, school reformers have turned to increasingly radical ideas. Since a state takeover in 2001, the School District of Philadelphia has served as a laboratory for radical changes in school governance and management, most notably a complex privatization scheme that includes market solutions such as the diverse provider model of school management, expansion of charter schools, and extensive outsourcing of additional district functions. Educators and policy analysts nationwide have closely watched Philadelphia as a harbinger of things to come under the provisions of No Child Left Behind. In this chapter, we focus on the role of leadership in establishing early legitimacy for and confidence in a reform agenda that included radical departures from the local public sector governance and management by education professionals of large urban school districts established by the education Progressives.

Philadelphia's education reform is radical in three respects. First, the city's school district has been the largest ever to be taken over by a state. Second, it has been the site of the

nation's largest experiment to date in the outsourcing of school management to external organizations (the "diverse provider model"), and it has become home to 60 public charter schools. By the 2006-07 school year, over a third of the district's 174,000 students attended public charter schools or those run by external private organizations. Third, the district has combined what Wong and Shen<sup>1</sup> describe as the leading alternatives for reform strategies—market-based solutions along with a strong centralized authority model. While we discuss all three aspects of Philadelphia's radical reform, our chapter's central focus is on the extensive privatization of school management.

When the controversial state takeover of Philadelphia's schools began—in the midst of acrimonious relations between the school district and the state government and strong grass roots and eventually mayoral opposition—the complexity and contradictions of combining multiple reform approaches led many observers to predict a "train wreck." Instead, the district's leadership—the five member School Reform Commission (SRC) and CEO Paul Vallas—stepped into the brink and quickly built credibility for their leadership and legitimacy for extensive privatization of schools. At the same time, they instituted strong centralizing measures including a district-wide core curriculum, mandated after-school programs, and conversion of middle schools to K-8 schools. They also made the district a national frontrunner in welcoming the spirit and accountability mechanisms of the 2001 federal *No Child Left Behind* Act (NCLB).

Some have argued that the city's approach is an amalgam of half-measures.<sup>2</sup>

Nevertheless, Philadelphia's leaders have instituted paradigm-breaking new reforms in

the governance and delivery of urban education. And, at least for the first four years, the SRC/Vallas partnership challenged the prevailing views of the urban school superintendency as an “impossible job” and big city school boards as squabbling, micromanaging bodies more concerned about their districts as sources of employment and contracts than about the academic achievement of students.<sup>3</sup> And, all the while, student performance on standardized tests—at least at the elementary and middle school levels—was improving. (Gains in high school students’ performance, however, were meager and the high dropout rate improved only marginally.<sup>4</sup>) However, as intractable financial challenges became visible in the summer 2006 and as the SRC prioritized funding for EMO schools over successful district interventions in spring 2007, four years of positive perceptions were weakened by growing public unease and questions about the leadership of the SRC and Vallas.

In this chapter, we argue that a supportive policy environment and the ability of school leaders to make radical privatization seem an essential component of overall district turnaround, provided extraordinary rein for district leadership to expand various forms of privatization – mainly extensive outsourcing of school management and other education functions and the creation of charter schools – at a rapid clip. We also raise questions about whether the privatization initiated under takeover will retain public confidence in the face of growing evidence of mediocre results despite significant costs at a time when budgets for schools and central office support services are undergoing draconian cuts due to inadequate state and city funding.

Still, the story of state takeover and the nature of the reforms continue to unfold. In summer 2007, CEO Vallas left Philadelphia for a new challenge—rebuilding New Orleans’ schools. During his final year as CEO, his relationship with the SRC unraveled in the face of a mounting deficit. And the SRC, itself, appeared shaken by in-fighting, as it faced the daunting challenges of finding a new CEO, negotiating additional funds from the city and state, and defending the continuation of the diverse provider model in the face of research findings that the education management organizations had not produced gains larger than the district-managed schools, despite considerably more funding.<sup>5</sup>

## **THE CRISIS**

As noted in the introduction to this volume, theorists posit that radical institutional changes are most likely in times of crisis and uncertainty—when existing institutional arrangements are under attack from many sides and when those who might have been powerful detractors of proposed “experimentation” no longer have a stake in the game. These conditions had certainly been in play even before Governor Mark Schweiker officially declared the School District of Philadelphia to be academically and fiscally distressed and pointed to the district’s abysmal student performance, its deep budget deficits, and its apparent inability to “right itself” as reasons for a state takeover.

During the 1970’s and 1980’s a changing economy cost the city its middle class tax base as manufacturing jobs dried up, a process that had begun two decades earlier.<sup>6</sup>

Additionally, a series of bitter and protracted teacher strikes played no small part in driving middle class families to the suburbs, further contributing to a steep economic decline. When Dr. Constance Clayton, a highly respected district insider became

Philadelphia's first African-American and woman superintendent in 1982, she presided over a district that was increasingly made up of low-income and minority students.

Clayton was largely successful in making peace with labor unions and stabilizing the district's finances. Her educational reforms included a standardized curriculum, a restructuring of the district's 22 neighborhood high schools (funded by The Pew Charitable Trusts), and the creation of a local education fund which aimed to professionalize teaching. Clayton's strategies for improving the academic achievement of students, however, reaped disappointing results.<sup>7</sup>

City corporate and civic leaders seized Clayton's retirement in 1993 as the moment to influence the direction of Philadelphia public education. They found their man in David Hornbeck whose experience as a minister, lawyer and primary architect of standards and accountability reform in Kentucky resonated with them. They also believed that Hornbeck was committed to wresting contract concessions from the teachers' union whose stance they saw as a major obstacle to improving the schools.

In 1995 Superintendent Hornbeck launched *Children Achieving*, a ten point comprehensive reform design that was based on the assumption that previous attempts at reforms had largely failed because they were too incremental, too piecemeal, too narrowly framed and not aimed at altering the "system" itself. As a systemic reform effort, it sought to raise student achievement through implementation of standards for student performance and a strong accountability system, the empowerment of schools by

moving authority for instructional decisions away from the central office, and increased supports for teachers and students.<sup>8</sup>

But four years into reform, Superintendent Hornbeck's relationship with Republican governor, Tom Ridge and the state legislature foundered over bitter disagreements about state funding for Philadelphia's schools. The governor and the Republican-controlled legislature maintained that the introduction of market forces—choice and competition—and the outsourcing of key functions might provide the necessary impetus for far-reaching reform in the district.<sup>9</sup> Even some of Philadelphia's most prominent African American legislators, fed up with district's lack of progress, supported the idea that a radical change in governance, along with involvement of external groups in school management, might jump-start change. Corporate sector support for Hornbeck evaporated when he failed to obtain union concessions, and many business leaders turned their attention to vouchers and charter schools as potential solutions. Even progressive Philadelphia education and civic leaders who had hailed Hornbeck's arrival and praised his moral commitment to educational equity were exasperated with the state of their public schools and the political wrangling that seemed to inevitably undo all small steps toward system-wide improvement.

Public confidence in Philadelphia's schools had been in sharp decline for decades. By the time of Hornbeck's departure (in 2000) and the state takeover in December 2001, middle-class families had largely exited the system and public officials and civic leaders had thrown up their hands in frustration. The city's poverty rates worsened and real incomes,

jobs, and population decreased during the Hornbeck years (and through the Vallas years to follow).<sup>10</sup> But many agreed with state leaders that poverty was not the only cause of the district's poor performance. They blamed the failures of the school system as well, pointing to an inflexible and inward-looking bureaucracy, poor management practices, and the narrow work rules of union contracts.<sup>11</sup>

Things reached a head during 2001 when Governor Ridge (who departed for Washington in October) and Governor Schweiker pushed ahead with plans for a state takeover of the district and an extensive management role for the for-profit Edison Schools, Inc. in running the district and a number of schools. After a tumultuous autumn, marked by widespread local protests against the state's privatization proposals and intense down-to-the-wire negotiations between Governor Schweiker and Philadelphia Mayor John Street, the governor's initial plan for a complete state takeover gave way to a "friendly" city-state takeover of the district.

The takeover was made even more palatable by the promise of an infusion of additional funds from state and city coffers and Schweiker's abandonment of a plan for Edison to assume extensive central management authority over the school district. The district's nine-member School Board (all mayoral appointees) was stripped of its authority and replaced by a powerful new governing board, a five-member School Reform Commission. Along with provisions in NCLB and state legislation passed in earlier years, the changes in the state's school code that accompanied the takeover gave the SRC sweeping and unprecedented powers.<sup>12</sup>

## NEW IDEAS AND THEIR CHAMPIONS

According to political scientist Mark Blyth, ideas drive the emergence of new institutional characteristics, particularly in a time of crisis and uncertainty.<sup>13</sup> Certainly new conceptions of school governance help explain the shape that reform took in Philadelphia after the state's takeover of the district.

### *Market-based Solutions*

When Governors Tom Ridge and Mark Schweiker orchestrated the takeover of the Philadelphia schools in 2001, they envisioned a set of changes that would introduce market forces into school governance. The corporate-oriented reforms articulated by the governors and enacted by the SRC—the privatization of school management in a significant set of schools (the diverse provider model), the outsourcing of key functions of the district's central office, a corporate-model CEO, and the expansion of choice-based public charter schools—drew from ideas that were in the air in educational circles during the 1990s.<sup>14</sup>

The governors along with their secretaries of education, first Eugene Hickok and then Charles Zogby, forged new institutional arrangements in Philadelphia's school system by aggressively pushing their own solutions at a moment of undeniable fiscal and academic crisis and widespread professional and political uncertainty about what changes might



“work.” In their efforts to break up the district’s monopoly over school assignment and program, they were supported by Republican state legislators and by influential African American officeholders at the state and city levels and by some parent and community groups, some of whom had already been involved in founding public charter schools.

### *Accountability Mechanisms*

Another idea that became ascendant in educational and political circles during the 1990s and that drove institutional change after the takeover in 2001 was the belief that school leaders and staff should be held accountable for student performance, a view that justified a greater role of state and local government in school affairs. This “logic of consequences”—the notion that what mattered was evidence that students were meeting system or state standards of learning—formed the cornerstone of the federal *No Child Left Behind* (NCLB) legislation which was passed just weeks before the state takeover occurred. Prior legislation in Pennsylvania foreshadowed the radical interventions authorized in NCLB for schools with chronic low student performance.<sup>15</sup> These state laws, reinforced by NCLB, provided the legal framework for taking away power from the local school board and replacing it with a “federated governance” system of state and city control.

### *Strong System-wide Instructional Guidance*

The view that schools should be accountable for holding all children to high standards not only legitimated an enhanced governance role for the state, city and federal governments over city schools, it also heightened a movement among educational leaders in Philadelphia and other large districts to bring instructional improvements to scale across an entire district. Independent groups such as the Annenberg Institute for School Reform, the Broad Foundation, the Stupski Foundation, The Council of Great City Schools highlighted the successes of selected urban districts in implementing systems of structured instructional direction and supports for teacher.<sup>16</sup>

Chief among Philadelphia's reforms was a "managed instructional system" whose components included a system-wide core curriculum, instructional pacing guides, related professional development for teachers, a focus on math and literacy, extended time for struggling students after school and in the summer, and the use of periodic interim assessments ("benchmarks") that gave regular feedback to teachers on their students' progress. In addition, many districts made serious efforts to comply with NCLB's requirement that students be taught by "highly qualified" teachers.

In Philadelphia, CEO Vallas, along with the Philadelphia Federation of Teachers (PFT), championed these ideas about instructional guidance and implemented them rapidly. As test scores rose, he attributed the gains primarily to these systemic reforms, not to the diverse provider model of school management. In fashioning centrally directed solutions Vallas relied on district staff but also depended on a broad array of "expert networks" of consultants, non-profit organizations, private firms, and community groups. His campaign to improve teachers' qualifications, for example, involved extensive

partnerships with universities, business leaders, and national non-profits such as The New Teacher Project and Teach For America and local groups such as the Philadelphia Education Fund.

*Philadelphia's Amalgam: Laying Down New Paths*

Thus Philadelphia's reform after the state takeover allowed for multiple strands of reform to develop simultaneously, each with its own "theory of action." Those who led these efforts were animated by the new ideas in circulation and engaged energetically with their particular reform. Proponents of privatizing school management argued that competition among providers and with the district would spur improvement and would expand management capacity. Charter school advocates saw parental choice and school autonomy as engines of innovation and competition. Vallas and central administrators placed their bets on systemic reforms led by district personnel, working in partnership with external organizations, to improve the core instructional experience in the classroom.

**PHILADELPHIA'S EDUCATIONAL POLICY ENTREPRENEURS**

Following a line of thought laid out by theorists of institutional change, it appears that the shock to Philadelphia's school system delivered by the state takeover (and arguably NCLB) created a critical juncture in which options for change, stimulated by new ideas and preferences, opened up for the district.<sup>17</sup> Philadelphia's education leaders were able

to manage a set of complex and controversial interventions, at least during its early years, turning what could have been a debacle into a viable experiment. SRC Chair James Nevels and CEO Paul Vallas were classic examples of entrepreneurs in the world of educational policy who had the mindsets and skills to simultaneously implement and legitimate radical privatization and strong centralized district guidance.

In this, they were aided by the institutional shakeup caused by the takeover in which accountability to the state and its School Reform Commission superceded, and many would say replaced accountability to the public. In addition, characteristics inherent in the urban public education sector itself were aids: its endemic uncertainty about how best to improve schooling; its complexity and multiple components; and its ambiguous relationships among actors and other institutions. All three features, identified and described by political scientist Adam Sheingate, provided fertile ground for the creative work of entrepreneurs who operate in the public sector.<sup>18</sup>

Vallas and SRC leaders skillfully seized the opportunity created by the complexity and uncertainty in the public education environment to frame solutions and allocate resources to meet their goals, and to consolidate innovations into quasi-permanent changes. Their sense of urgency led them to execute changes rapidly, thus creating “facts on the ground” (e.g. outsourcing numerous education functions, creating new smaller high schools, creating many more K-8 schools; implementing a core curriculum) that could not easily be washed out in a future round of reform. In the following sections of the chapter, we describe how they managed the rollout of the reforms.

### *The SRC Takes the Reins*

The responsibility for steering the School Reform Commission through the turbulent time following the state takeover fell to SRC Chair James Nevels, who was appointed by Governor Schweiker in December 2001. Nevels, chairman of an investment and financial advisory firm, was born to African American teenage parents in the deep South. He frequently shared the story of his roots to make the point that education made a difference in his life, and that he was committed to seeing that it made a positive difference in the lives of Philadelphia's children. His soft-spoken bearing and his unflappability initially served him well in the face of early raucous community protests and tough union negotiations. Later, however, he and other SRC members' came to be viewed as imperious and unresponsive as they refused to engage with parents and concerned citizens at SRC meetings.

Appointments of the other four SRC members, two appointed by Governor Schweiker and two appointed by Mayor John Street, were announced by February 2002. Two of them have remained on the SRC through the first five years and have played increasingly important roles in that body: Sandra Dungee Glenn, appointed by Mayor Street, who had extensive experience in electoral politics and community organizing; and James P. Gallagher, appointed by Governor Schweiker, long-time President of Philadelphia University. The SRC had to establish credibility, secure enough independence from both the governor and mayor so that 3-2 votes would not become the norm among them, quiet

protests against the takeover and the governor's privatization schemes, deal with a \$200 million deficit, and hire a new superintendent.

The SRC's actions in the opening months of the state takeover were critical in establishing its legitimacy and making the takeover more acceptable in Philadelphia. It quickly established its independence from Governor Schweiker by rejecting his plan to have Edison Schools manage up to 60 schools. Instead, in April 2002 the SRC implemented a diverse provider model in which seven organizations—including three national for-profit Education Management Organizations (EMOs), two universities (the University of Pennsylvania and Temple University); and two local non-profit organizations—would manage 45 low-performing elementary and middle schools and given additional funds to do so. The SRC persuaded Penn and Temple, two of the city's most respected institutions, to join in the effort. In July, the SRC threatened to refuse additional state funds which Governor Schweiker and Secretary of Education, Charles Zogby, had earmarked for EMO schools only. These steps, which modified the Governor's original intent to make Edison the sole provider with much greater funding for its schools, helped build legitimacy and trust with community groups, education advocates, and city political leaders.

The SRC also placed 21 schools under a special district-run Office of Restructured Schools (ORS) and allocated additional funds per pupil at these schools to pilot a core curriculum, to undertake more intensive professional development for teachers, and to receive stronger administrative and instructional supports. Another four schools were told

that they would be converted to public charter schools, and 16 others that were already making progress were given additional money per pupil for the 2002-03 school year. In all, the SRC assigned 86 of the district's schools (out of 260+ schools) to an intervention of some sort.

All of these decisions were made by the SRC—under intense time pressures to be ready for the opening of the school year—while its members were simultaneously conducting a national search for a new superintendent. A significant portion of the public was still deeply skeptical of the wisdom of the state's takeover of the school district and the outsourcing of school management to external organizations. Student and community protesters regularly voiced their outrage at SRC meetings during the first half of 2002, particularly when the SRC proposed contracting with for-profit EMOs to manage three neighborhood high schools.

From the vantage point of the turbulent summer months of 2002, it was far from clear that Philadelphia's complex and hastily planned interventions in low-performing schools could result in a smooth school opening, let alone long-term improvement in student outcomes. It was possible that this "hydra-headed" reform effort could blow up on the proverbial launch pad.

Nevels felt that the appointment of a nationally known education reformer from outside Philadelphia was critical to calming the political waters and securing credibility with business and civic leaders. No wonder, then, its members were relieved and enthused

when an experienced CEO, Paul Vallas from Chicago, assumed the helm of the system in July 2002.

### *Paul Vallas Joins the Team*

In contrast to James Nevels' deliberate style, CEO Paul Vallas brought with him a reputation as a "whirlwind," a hard-charging workaholic who had accomplished substantial reforms as CEO of the Chicago Public Schools during his tenure from 1995 to 2001.<sup>19</sup> The SRC, with Governor Schweiker's approval, voted unanimously to offer him a five-year contract a position as "CEO," preferring to use the corporate-style term rather than "superintendent."

Within days, Vallas tackled some of the nettlesome problems that had angered the district and its stakeholders. He also scotched the plan to have EMOs manage three neighborhood high schools, and he successfully lobbied the SRC to drop the contract with Edison Schools as a "lead district adviser." He also finalized contracts with the seven external organizations to manage 45 low-performing schools identified the preceding April. These actions by Vallas and the SRC drew praise from community groups, civic leaders, and the media.

While willingly cooperating in the diverse provider experiment, Vallas also let it be known that the EMO-run schools were "his schools" and that alternative school management was "not a silver bullet."<sup>20</sup> He projected a similar attitude toward public



charter schools in the district—i.e., their existence was fine, but the district would insure that they were held accountable for results. Vallas projected a “can-do” optimism, injecting a sense of both hope and urgency into the district’s efforts. Parachuting into a city often accused of having a defeatist civic mentality, he appeared to relish the challenges before him.

Vallas moved immediately to address budget issues. Continuing uncertainties about where the money was coming from to run the district, to renovate or replace crumbling school buildings, and to pay for the new reforms loomed as a threatening cloud over the reform effort. With the SRC’s support, he worked out the details of the SRC’s deal with the state that allowed for \$55 million of the additional aid to be allocated not just to EMO-run schools but to schools across the district, and he arranged for another \$27 million in state budget support. In addition, the district passed a \$300 million bond issue to cover the prior deficit and help pay for new programs for the next three to four years, and borrowed money through the capital budget to launch a \$1.7 billion program of school construction and renovation. He also began discussions with state legislators about the district finances, arguing that he could find efficiencies and additional external funds to balance the budget, a tall order given Pennsylvania’s chronic under-funding of urban and rural schools.

The new CEO also took steps, beginning with the first day of his appointment, to respond to parents, community group, and education advocates. Vallas interjected his trademark approach of listening to speakers complaints and arranging for follow-up meetings with

his staff, often on the spot. After his arrival, regular angry protests at SRC meetings dropped off precipitously. He regularly responded to emails, attended evening and weekend meetings and events in the community and visited victims of violence. This timely and personal attention cultivated allies and built legitimacy for the state takeover, the diverse provider model, and the radical nature of some of the initiatives that followed. It did not, however, provide opportunities for public dialogue about or input into the shape of Philadelphia's reform agenda.

### *Designing and Executing the Reforms*

During the first four years under the new regime, the district's leaders rolled out competing models of reform simultaneously including private-sector solutions favored by the majority of the SRC members and the district-run system-wide instructional and operational reforms introduced and promoted by Vallas. His pragmatism made it possible to blend multiple approaches to change. "I'm for what works whether it's private or non-private," Vallas asserted on the day his appointment was announced. The reform program included the following components:

Private sector initiatives:

- *The EMOs*: The original diverse provider model underwent substantive modifications. The district's negotiations with EMOs and partners resulted in agreements for "thin management" that limited partners' authority over several

key aspects of school operations. Edison was assigned two more schools and Foundations, Inc., a local non-profit organization, took over management of a comprehensive high school. By the fall of 2005, all of the district's disciplinary schools, serving about 3,000 students annually, had been turned over to private management.

- *Charter Schools:* SRC members and Vallas embraced public charter schools, all run by private boards, increasing their number to 60 by fall 2007 from the 39 that existed at the time of the takeover. Vallas converted three failing middle schools to charter schools managed by a non-profit charter management organization. The Hornbeck administration, by contrast, had tolerated charters with reluctance. Vallas, however, smartly integrated his plans for school development with those of charter school organizers, using charter expansion in a strategic way to reduce overcrowding and to help depopulate large high schools.
- *Formal partnerships with universities and non-profit organizations:* Corporate and institutional partners—the Microsoft Corporation, the Franklin Institute, the National Constitution Center, and the College Board—planned and help run new or restructured high schools in conjunction with the district, and a local non-profit, Philadelphia Citizens for Children and Youth, assisted with the creation of a small high school focused on peace and justice issues. The Vallas team also expanded partnerships with a number of other institutions, particularly colleges and universities.

- *Other contracted services:* The SRC doubled the number of contractors in key areas of education and management services in the year following its formation, a number that grew somewhat more in three subsequent years, before declining as a result of budget cutting in 2007.<sup>21</sup> Many of these contracts—to local and national for-profit and non-profit groups and consultants— were in curriculum and instruction not just in traditional areas of contracting such as transportation, special education placements, and construction.

Large-scale system-wide instructional initiatives:

- *A system of “managed instruction:”* These reforms included a common core curriculum in the major subjects, a system of formative “benchmark” tests (given every six weeks to assess student mastery of the curriculum), new textbooks and materials; double periods in reading and math for grades K-9; and an electronic Instructional Management System (IMS) that enabled teachers to access information on their students, the curriculum, lesson plans, and curriculum resources.
- *Reduced class sizes* in grades K-3, at least through the 2005-06 school year. These class size reductions were later wiped out by budget cuts.
- *Additional learning time for struggling students:* Low-performing students were

required to attend mandatory after-school and summer school programs.

- *Pre-school programs:* The district doubled the number of pre-school slots and improved their quality.

Restructuring and school operations:

- *Creation of new and smaller high schools:* Construction of new high schools and reconfiguration of old ones as separate small schools increased the number of high school choices for students overall (not counting charter high schools) from 38 in 2002 to 66 by the fall of 2006. About half of these high schools had fewer than 500 students. Enrollment in Advanced Placement courses nearly doubled. Sports and activities, particularly marching bands and chess teams, were expanded, and four regional “Super-Site” playing field/sports complexes were built or were on the drawing boards at the time of his departure in June 2007.
- *Conversion of middle schools to K-8 schools or small high schools:* During the Vallas years, 17 of the district’s 42 middle schools were closed, some of them converted to small high schools, and others converted to K-8 schools. The number of K-8 schools nearly tripled. More middle school conversions are planned so that the system will gradually become a K-8, 9-12 system.
- *Human resources:* Vallas oversaw an accelerated effort to hire and retain more

qualified teachers. The percentage of new teachers who were certified jumped from about 47 percent just before the state takeover to more than 92 percent in the fall of 2006. Retention of teachers during their first year rose from 73 percent to about 91 percent.<sup>22</sup>

#### Accountability mechanisms:

- *Efforts to meet Adequate Yearly Progress (AYP):* Like the SRC, Vallas took the spirit of NCLB to heart and stressed the importance of school efforts to raise standardized test scores and achieve Adequate Yearly Progress (AYP) as defined by the federal and state governments. School Assistance Teams (SAT teams) supported efforts to raise student achievement by assessing the performance of low-performing schools, including “walk throughs,” and assisting them in planning and monitoring change. School by school data on test scores and other indicators were published on the district’s website. The percentage of district-run schools making AYP increased from 9 percent in 2002 to 49 percent in 2006.<sup>23</sup>
- *SchoolStat:* The district implemented accountability processes for administrators, including a display of school and regional district data called SchoolStat. This tool was used at regular gatherings of Regional Superintendents with their principals and at meetings of the Regional Superintendents as a group with Chief Academic Officer, Gregory Thornton. These processes pressured regional and building-level leaders to improve climate and achievement at their schools.

At the same time that Vallas was ramping up new initiatives, members of the SRC established functional working relationship among themselves and voted unanimously on nearly all proposals before them. Certainly, a turning point in the SRC was their work on a “Declaration of Education” and a set of measurable goals (“Measures that Matter”), produced in the summer of 2004. The Commission made the rollout of the Declaration in August 2004 a media event and strategically tied it to championing the district’s stand on school-based hiring of teachers in ongoing contract negotiations with the teachers’ union. It won concessions from the PFT in the 2004 contract but compromised enough to prevent a labor action from destabilizing the district.

Chairman Nevels was also the key change agent in negotiating a breakthrough agreement between the district and the Building and Construction Trades Council of Philadelphia in 2006. Using the leverage provided the district’s massive school construction program, Nevels personally brokered the deal that provided for up to 425 new apprenticeships to district graduates over a four year period in the building trades unions, groups that had historically shut out African Americans from their ranks. By June 2007, dramatic progress had been made in the hiring of minorities as apprentices.

By mid-2006, however, when budget shortfalls became apparent, conflicts among SRC members and with Vallas that had heretofore been kept behind closed doors bubbled up to the surface. The SRC’s resolution in July 2006 to renew Vallas’ contract (set to expire in July 2007) passed with just a 3-2 vote, with two commissioners apparently concerned

about Vallas' failure to keep expenditures under control and perhaps, as some observers suggested, irked by his sometimes grating personal style. His departure in June 2007 was marked by recriminations about responsibility for the budget deficit and dispute about whether or not Nevels had asked for Vallas's resignation. Governor Rendell indicated he had lost faith in Nevels, particularly for his failure to support and retain Vallas.

During this period, other differences emerged within the SRC over the budget cutting process and the hiring of an interim CEO. Nevels maintained his calm throughout these conflicts, avoiding public criticism of Vallas or other political leaders. The SRC's vote to continue the EMO contracts for an additional year (2007-08) was not unanimous. Still, the SRC did vote unanimously to launch Stage II of the reform by setting in motion a planning process for expanded privatization, including conversions to charter status or assignment to an EMO, in 60 of the district's chronically failing schools for Fall 2008. The approval of Stage II suggested that SRC members continued to believe that the outsourcing of school management and the conversion of struggling schools to charters would be viable remedies to poor school performance and that they were willing to spend decreasing school funding on these interventions, even as they cut central office and school budgets.



## GETTING EVERYONE UNDER THE TENT

The success of a reform effort as complex and bold as the one that the SRC and Vallas rolled out depends on leaders' skill at building relationships with a range of constituencies both inside the district and outside. Getting everyone—administrators inside the district, the teachers' union, the Education Management Organizations and other partner groups, civic leaders and community groups, parents, and elected officials—under the proverbial tent and looking outward—is an incredible feat and unlikely to hold entirely throughout a reform era. Certainly, there were moments in Philadelphia when the tent threatened to collapse—most dramatically in the beginning when community groups, students and parents effectively protested the primary role of Edison, Inc. and again in May 2007 when they shouted “We vote no confidence in this budget process.” In this section, we examine how the SRC and Vallas tried (and didn't try) to build relationships and how those relationships ebbed and flowed.

### *Central Office Administrators*

*I thought it was going to be the biggest disaster ever and instead it really has turned out to be a grand experiment that turned out to the advantage of our kids. We would have been going along the same old route. We could never have come up with this ourselves. Sometimes being forced into something works out better. People are looking at us [now] as the model.*  
– official in the Vallas administration

As an outsider with a reputation as a top-down manager, Vallas had his work cut out for him in developing a loyal team in the district's central office. At first, he relied heavily on

a dozen trusted lieutenants from Chicago, but gradually filled top positions with veterans of the system along with some new hires. In 2004 Vallas brought in a new Chief Academic Officer (CAO), Philadelphia-native Gregory Thornton, who had served in a similar role in the Montgomery County, Maryland, schools. Thornton actively implemented the district's agenda and brought with him new ideas and tools, including improved performance management processes. Thornton's authority as CAO, along with that of several other administrators, moderated the view that "all roads lead to Vallas."

Some tensions existed between Vallas and the inside staffers, many of whom had proved their worth over the years as competent administrators. (Unlike some other urban district central offices, Philadelphia's was not known to be corrupt or a patronage haven.) Soon after his arrival, Vallas dismissed, demoted, or re-assigned selected managers, and sometimes accompanied these actions by publicly disparaging the individuals involved, moves which, in the short term, set back the process of building a loyal team.

As in Chicago, Philadelphia administrators had to adapt to Vallas' frenetic pace, his temperamental personality, his aversion to working within an organizational chart, and his tendency to say "yes" to too many people.<sup>24</sup> For those who liked working in a free-wheeling atmosphere with tight timelines and rapid-fire judgments, Vallas' style seemed appropriate given the urgency of the task before them. But for administrators who preferred to work within a disciplined and deliberative organizational environment, the Vallas style was a challenge.

Under Vallas, the school system abandoned its historic bureaucratic insularity by reaching out to other groups to help solve its problems. He capitalized on the strengths of key administrators, particularly in the Office of Human Resources and the Office of [School] Development, who aggressively built bridges to outside groups—universities, businesses, local and national non-profits—in ways that increased the district’s expertise and capacity for instructional improvement.

### *The Teachers’ Union*

Prior to Paul Vallas’ arrival in Philadelphia, some seasoned observers predicted he would have difficulty replicating the reasonably harmonious relationship he had had with the Chicago Teachers Union.<sup>25</sup> His predecessor, David Hornbeck, had clashed repeatedly with the PFT and had not been successful in winning contractual changes considered vital to reform by civic leaders. Vallas, however, forged a good working relationship with PFT leaders from the start, one that continued through the contract negotiations in 2004 before souring when the budget crisis caused layoffs and cutbacks in 2006 and 2007.

Both Vallas and PFT leaders believed in the importance of implementing a core curriculum, improving student discipline and school safety, and reducing class size. Their similar views on the need to expand the number of magnet schools and programs and on the efficacy of the state takeover further buttressed their working relationship. PFT President, Ted Kirsch, described for us that positive relationship and contrasted it with his dealings with the Hornbeck administration:

*It's been a 180-degree change from Hornbeck to Vallas. Hornbeck never talked to us. Vallas and I must talk every day. When I meet with Vallas, we don't talk about grievances, we talk about how to make the system better. I've been through 5-6 superintendents in my career. He's very smart and listens to people. One thing Vallas says is that I've never given him bad advice.*

The teacher contract negotiations in fall 2004 represented a real test of the leadership of the SRC and of Vallas. The administration had more statutory tools at its disposal as a result of the state takeover legislation and NCLB. Teachers had lost the right to strike. The SRC could have imposed a contract—and Nevels threatened to do so—but, in the end, the leadership chose not to use all the weapons at hand, thereby avoiding a teacher job action. The compromise the parties reached on the final issues that divided them, including school-based selection of teachers (rather than their centralized assignment to schools) and the trimming of teachers' seniority based transfer rights, preserved labor peace. Vallas had withdrawn from direct involvement in the negotiations some months earlier, leaving the job of working out the contract to the SRC.

### *The EMOs and Partner Groups*

The diverse provider model of school management was implemented in Philadelphia much more smoothly than expected. In part, this was due to Vallas' clear signals that he was calling the shots and his pragmatism. In interviews for this study, a long-time central office administrator described it this way:

*It is amazing to me when you watch the process of how upset everybody was with Edison when it first came, and Victory and Foundations, etc. I mean it was hate, it was competition, and slowly it is like it is not a big deal anymore. And to the credit of Paul Vallas, he has changed the whole tone about that.*

What looked initially like a quasi-decentralized system of externally managed schools became, in actual practice, part of the more centralized system. From the start, the SRC devised a system of “thin management” whereby the district and the providers shared responsibility for different aspects of schools’ functioning. The district formally hired principals but providers played the key role in their selection. And teacher hiring followed the regulations established by the teachers’ union contract. Decisions about school closings and reconfigurations of grades remained in the hands of the district, as did facilities management, food services, and security. The providers controlled curriculum and instruction and professional development, but all of the providers, with the exception of Edison, adopted the district’s core curriculum and its system of interim assessments.

The SRC and Vallas actively supported the work of the external management groups. Vallas created the Office of Development to coordinate and oversee the work of the EMOs and the expanding number of partner groups. Staffed by experienced and highly competent professionals, the office cleared away bureaucratic hurdles that might have impeded EMO functioning and, through regular meetings of the providers, also developed collegial relations among them.<sup>26</sup> District officials made certain that disagreements and partners’ mistakes were kept behind closed doors, thus minimizing criticism of the diverse provider model, and they did not make disparaging comments about the managers’ work in public.

Although open opposition to the diverse provider model fell off among some civic and

community groups after Vallas assumed office, discontent with it still simmered. As the date for a decision on the renewal of the EMOs' five-year contracts approached in the spring of 2007, several studies on student outcomes were released. One of these studies was a longitudinal value-added analysis of individual student achievement conducted by RAND and Research for Action.<sup>27</sup> It found that student performance gains in provider schools did not outpace student gains in other schools in the district, despite considerably greater resources. Further, the study found that the schools that were managed by the Office of Restructured Schools showed increased student gains in mathematics that outpaced the gains of the other providers and those of the rest of the district. The other two studies looked at additional indicators: one of these was conducted by an independent Accountability Review Council set up by the state,<sup>28</sup> and the other was carried out by a research team within the district.<sup>29</sup> These studies suggested that the diverse provider model might not have figured prominently in the district's improvement and that the district itself had designed an intervention that showed promising results.

Not surprisingly, there was an outcry from Edison officials, questioning the validity of these studies and arguing that it was ready to expand its role in the district. Vallas responded that, in the context of necessary budget cuts, it was not appropriate for Edison to manage more schools. Vallas' proposed budget for FY '08 cut EMOs' funding by two-thirds. SRC member, Tom Gallagher wanted to extend the contracts with all of the EMOs continuing to work with all of their schools. Dungee-Glenn proposed that only those EMO/school partnerships that had proved successful be extended as had been recommended by the district's Office of Accountability and Assessment's report and the

RAND/RFA researchers. In the end, despite vocal opposition from some parent and community groups, the SRC rejected Dungee-Glenn's proposal and voted to extend all of the contracts, albeit at a reduced per pupil expenditure.

### *Parents and Community Groups*

When it came to decisions about the reform plan itself, the SRC and CEO Vallas made little effort to seek formal parent and community involvement in deliberations and decisions. Driven by a sense of urgency and a belief that quick gains in student performance would lead to community support, the SRC abandoned its original plans for structured community input. The only formal venue where individuals could regularly register a protest or ask questions of the SRC was at the twice-monthly SRC meetings or at annual budget hearings. In one key decision after another – on such issues as the role of EMOs, policies on student retention and discipline, the budget—the public was shut out of systematic and substantive input. Vallas and the SRC rarely presented detailed rationales for decisions, nor did they make contracts with school managers and others readily available for public scrutiny.<sup>30</sup>

At the same time, Vallas and the SRC incorporated dozens of community groups into the reform by contracting with them to carry out pieces of the district's work, including efforts to improve school and community safety, to combat truancy, and to provide after-school services for children.<sup>31</sup> These contractual relationships frequently served to muffle criticism by groups that had once been strong advocates for children and their families

and critics of district policies.<sup>32</sup>

The repeated failures by the SRC and Vallas to consult and collaborate with community groups and parents came back to haunt them in May 2007 when the SRC appointed an Interim CEO with little notice and struggled to finalize an FY08 budget that included heart-breaking cuts in student services. Fed up with what they perceived as the SRC's blatant disrespect of their role in decision making, parents and community members mounted a well-coordinated protest. Their messages were clear; they had no confidence in the budget and they were furious that the SRC had not kept its promise that the budget deliberations would be inclusive and transparent. Both Mayor Street and Mayor-Elect Michael Nutter turned out to support the parents and overnight a group crafted proposals for parent and community input going forward. A humbled SRC adopted the resolutions the following day.

### *Elected Officials*

The SRC, lacking the authority to levy school taxes directly, faced the task in 2002 of raising sufficient funds from the state and city to cover a large deficit and to pay for ambitious reforms. SRC members were keenly aware that David Hornbeck's style had alienated state legislative leaders, and hired Vallas in part because of his experience negotiating with politicians. Indeed, Vallas and the SRC succeeded in getting more money from the state—seven percent more each year between 2002-03 and 2006-07 compared to four percent in previous years—and also from the city which increased its



funding by five percent each of those years compared to three percent in the five years preceding the takeover.<sup>33</sup> They did so without having to resort to confrontational tactics.

Vallas responded to the state legislature's concern about district finances by producing what appeared to be balanced operating budgets—aided by a \$300 million bond issue and the increased public funding—within two years of his arrival. (It was only in June 2007, after the release of a report from the state's budget office, that legislators and the public learned that the district had overspent its budget in every year of the reform.<sup>34</sup> )

Vallas' non-partisan pragmatism and willingness to bow to the political winds coming from Harrisburg, evidenced by his embrace of charter schools and toleration of EMOs, won him more points in state political circles. “The truce between the Philadelphia schools and state officials has been mighty nice these last five years,” commented a *Philadelphia Inquirer* editorial in June 2006.<sup>35</sup> Even when the district's budget deficit threatened to roll back some of his key reforms (such as smaller classes) in the spring of 2006 and again in 2007, Vallas was careful not to antagonize the legislature or Governor Edward Rendell, a Democrat, elected in 2002 and again in 2006, and, indeed, kept Rendell's support until his departure.

Until the summer of 2006 when the size of the district's budget deficits ballooned, Vallas maintained a cordial but somewhat distant relationship with city Mayor John Street. But once the deficit became apparent, Street excoriated Vallas for his overspending and lack of budget oversight. Vallas, for his part, argued back vehemently that the city needed to

contribute a higher percentage of its revenues to the district. As discussed earlier, Mayor Street eventually intervened to calm parental and community protests over the budget process in spring of 2007, shortly before Vallas' departure for New Orleans, thus helping to preserve some citywide unity before the SRC and other stakeholders went to Harrisburg to request more money for the district. He also supported City Councilman Wilson Goode's proposal to allocate more funds from the city to the district. Parents and community groups also were successful in lobbying City Council for more money.

## **CONCLUSION**

Clearly, leadership is key to the staying power of any institutional change effort. But, a theme of this chapter is that what has been critical in the current era of Philadelphia school reform is the interplay between the beliefs and actions of the district's leaders and the contextual conditions in which they have operated – including the market-based ideas for improving schools that were in the air and the legislation of NCLB. NCLB brought new forms of external accountability for student achievement that forced acceptance of measures that would have been strongly resisted in the past. And, the provisions of the takeover shielded Vallas and the SRC from much of the volatile politics and harsh criticism that bedevil urban school district leaders.

For their part, Philadelphia's school leaders were not buffaloed by the uncertainty and anxiety created by the state takeover. They calmed the political waters and managed an infusion of state and city dollars to Philadelphia to build legitimacy for them and their

reform agenda. As “political entrepreneurs”<sup>36</sup> they took advantage of the national and state policy context created by NCLB—including encouragement for privatization solutions—to craft a reform plan that combined the familiar and the new. The case of Philadelphia demonstrates the opportunities afforded public sector entrepreneurs during times of uncertainty and flux. With a supportive policy environment and growing public confidence that their administration was effecting positive change, district leaders were able to pursue market based solutions without a public debate. It appears that they may have created sufficient momentum to maintain the new institutional pathways they laid down even as the district weathers a new period of leadership transition, fiscal difficulties, and strong public criticism about a lack of transparency and accountability. The SRC’s unanimous vote in 2007, for example, to plan for more schools to be subject to a range of strong interventions similar to those instituted five years earlier, illustrates that momentum.

### *Making the State Takeover Acceptable and Workable*

Nevels and other SRC members made state takeover acceptable in Philadelphia, a crucial first step in making change. They did this by limiting the huge role the state had proposed for Edison Schools, by hiring a nationally recognized education reformer as CEO, and by refusing to accept the state’s conditions on funding that required all the new state funds to go to Edison or other outside providers. They developed good working relationships with the Mayor’s two appointees on the SRC. By these and other measures they began the transformation of the takeover from a “hostile” to “friendly” one.

CEO Vallas, Chairman Nevels, and the rest of the SRC together succeeded in making rapid, radical, and contradictory reforms – radical privatization of schools and strong centralized authority – seem pragmatic, balanced and appropriate given the urgency of the problems they faced. As policy entrepreneurs, they combined, rather than chose between, the reigning ideas in education reform—choice-based and market-oriented solutions versus systemic district-run reforms. The pragmatic ways these ideas were combined and implemented in Philadelphia produced amalgams that blurred both differences of opinion between Vallas and the SRC and the boundaries between the public and private sectors, making radical privatization less visible to potential opponents<sup>37</sup> Although Vallas saw strong district-managed instructional guidance for teachers as key to raising student achievement, his administration relied on a wide array of external private organizations (both for profit and non-profit) to do much of the work, thereby creating what one researcher has described as a “contracting regime.”<sup>38</sup>

Adherents to the various models of reform stuck to their positions throughout the first five years of state takeover. Those, including Vallas, who believed in district-driven instructional reforms remained convinced that those changes accounted for rising test scores. Charter school supporters pointed to improved test scores in their schools in 2006 to buttress their claims. At the same time, advocates of the diverse provider model staunchly defended those arrangements even after three separate evaluations concluded that student performance gains in the privately managed schools had not outpaced student

gains in the rest of the district, despite the significantly greater per pupil allotments in the outsourced schools.

Former Governor Tom Ridge dismissed these results in a commentary piece in *The Philadelphia Inquirer*: “the point isn’t whether [test scores] are slightly more or slightly less in this subgroup or that”- and insisted that the “grand experiment” had ended stagnation in the district and had lifted student achievement across the system.<sup>39</sup> Leaders in the African American community also lobbied for continued support of the diverse provider model. On the eve of the SRC’s vote on a new budget in May 2007, Representative Dwight Evans, Chairman of the House Appropriations Committee, who helped devise the state takeover and who had been involved with one of the non-profit managers, threatened to reduce state funding for the district unless the SRC fully funded the private-management model. He, like many others in the city’s minority communities, also advocated for an expansion of charter schools even though such expansion would further strain district finances.

Evidence of acceptance of governance changes was apparent during the Democratic mayoral primary race (the equivalent of the actual election) in May 2007. While some candidates criticized the financial management of the district, none of the five candidates overtly called for the return of the district to local control. Although they wanted more city control over the schools, they also acknowledged the important role of the state as a governance partner. Several expressed opposition to the practice of outsourcing school

management to private groups, but none rejected the expansion of public charter schools. Their views suggest that institutional change may have sticking power in Philadelphia.

### *Assessing the Impact of the Leaders*

So, how should we assess the impact of the city's educational policy entrepreneurs? In the early years following the state takeover, they steered the district through perilous political waters, brought peace, stability, and progress; implemented a core curriculum; and launched new programs and new small high schools. There are areas where education reform has barely begun: a system-wide plan for high school reform that includes large neighborhood comprehensive high schools is still lacking; the corps of principals and the teaching force may not be up to the job of organizing schools for high performance and teaching to high standards; and content-based professional development for teachers has gotten short shrift. Taken together, these shortcomings have the potential to stymie long-term educational improvement.

Student achievement gains at the elementary and middle grade levels, as noted earlier, were encouraging, but less dramatic than many had desired. High school gains were negligible. Indeed, Vallas and the SRC themselves stressed that while improvement had occurred, there was still a very long way to go before they were satisfied with student outcome measures.

In the area of finances, old perils tripped up the new entrepreneurs. The state's June 2007 report on the district's finances demonstrated that Vallas and the SRC did not solve the district's structural financial problems. Indeed, even in the early years with increased state and city funding, there was only the *appearance* of balanced budgets.<sup>40</sup> Going forward, budget cuts threaten to increase class sizes and reduce the number of adults in the school buildings.

The first phase of the takeover is ending amidst funding problems that could undermine the credibility of the SRC, the substance of some of the reforms and heighten divisions among stakeholders. Additionally, during phase one, there was very limited public input into policy decisions, so the top leadership does not get high marks on democracy. The district is entering a second phase of the takeover in which the involvement of the community and the new mayor (to be elected in November 2007) is likely and necessary. Whether district leaders will respond to demands for greater transparency and openness in decision making remains unanswered at this time.

But public concerns about the willingness of district leaders to hold private sector partners accountable and its lack of confidence in leaders' financial management are particularly salient in a context in which the district is continuing extensive outsourcing to the private sector. The question that remains for Philadelphia is whether the extensive outsourcing of school management and the continued expansion of charter schools will, in fact, prove to be a constructive alternative to traditional public sector bureaucratic structure, or whether they will be perceived as a new form of market-oriented political

patronage. The answer lies in the district's administrative capacity to write and monitor school contracts and charters and public's press for the SRC to make fair and data-driven decisions.

### **About the Authors**

**William Lowe Boyd** is Batschelet Chair Professor of Educational Leadership at the Pennsylvania State University and editor of the *American Journal of Education*.

**Jolley Bruce Christman** is a Principal of Research for Action and a research director of the *Learning from Philadelphia's School Reform* project.

**Elizabeth Useem** is a senior research consultant to Research for Action and a research director for the *Learning from Philadelphia's School Reform* project.

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