



# *ECS Policy Brief*

## **School Restructuring in Philadelphia: Management Lessons from 2002 to 2005**

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In fall 2001, Pennsylvania initiated a “friendly takeover” of the School District of Philadelphia and embarked upon what at the time was characterized as the “largest-scale privatization of public schools ever undertaken.”<sup>1</sup> Under the guidance of a School Reform Commission (SRC) comprising members appointed by the governor and the mayor of Philadelphia, the district solicited proposals and subsequently selected seven private managers to operate 45 poorly performing schools.

The district’s initiative, known as the “Partnership School Model,” is arguably not the radical privatization experiment initially envisioned by privatization champions or critics. Rather, the model represents a hybrid governance partnership in which the district and multiple private organizations ostensibly share responsibility for the academic and operational aspects of select low-performing schools.<sup>2</sup> Nevertheless, the last three years provide rich data regarding promising and problematic practices associated with transitioning a cohort of public schools from total public to shared public/private management and thereafter managing the contracts in a complex urban school system.

The current wave of restructuring in Philadelphia began prior to the implementation of the No Child Left Behind Act (NCLB), but hiring education management organizations (EMOs) to operate public schools is one of multiple options districts can pursue under the sanctions prescribed by NCLB. The sanctions are imposed if schools persistently fail to demonstrate adequate yearly progress. Managing private contracts, as opposed to directly managing schools, represents a significant shift for district central offices. Districts contemplating hiring EMOs to manage aspects of failing schools can benefit from studying the relevant lessons emerging from the School District of Philadelphia’s Partnership Schools.

To identify the lessons learned from contracting with private managers in Philadelphia from 2002 to 2005, the author conducted an extensive document review and interviewed state, district and EMO personnel involved with the restructuring process and the specific management structure implemented to administer the Partnership School Model in Philadelphia. This brief summarizes a case study of the Partnership School Model. The full report and similar case studies of school restructuring in Baltimore City Public Schools and Chester Upland School District published by the Education Commission of the States (ECS) provide additional insights and are available on the ECS Web site at [www.ecs.org](http://www.ecs.org).

### **School Restructuring in Philadelphia 2002-05**

In fall 2001, after much bargaining and brokering with key constituencies, the governor and the mayor of Philadelphia negotiated a “friendly takeover” of the School District of Philadelphia that would be managed by a five-member SRC created by Senate Bill 640. A central component of the compromise was the state’s commitment to allocate significantly more resources to the district. All total, the state increased its aid to Philadelphia by \$75 million in 2002.

**“Presently, all eyes are on Philadelphia as the state, the city, and the district are engaged in groundbreaking education reform that has been labeled the most extensive school reform in the nation.”**  
*(Accountability Review Council, 2005)*

The legislation granted the SRC unequivocal authority to “enter into [contracts with] agreements with persons or for-profit or nonprofit [entities for the purpose of operating schools or] organizations providing educational or other services to or for the school district.”<sup>3</sup>

The Partnership School Model consists of a governance model referred to as “thin management” in which EMOs select and implement the curriculum, supervise and support school administrators, and provide professional development, but the district

still provides significant services to schools. The School District of Philadelphia created a centralized structure to support the Partnership School Model. The district's office of development serves as the district's liaison to the EMOs and the companies' key source of information. Managed by former district school administrators, the office is charged with serving as the central entrance point for all EMOs.

The transition from central office management to EMO management was abbreviated due to the short timeframe between selection, contract negotiations and the beginning of the 2002-03 school year. The initial call for proposals was released in February. EMOs were selected and contracts were negotiated by July 2002, just prior to the schools opening under new management. The fact the EMOs finalized the contracts after school budgets had been developed and personnel hired afforded the companies limited opportunities to fully implement their model in the first year. Given the overall controversy associated with hiring EMOs, key informants speculated the rushed nature of the process contributed to a difficult transition and chaotic first year of EMO management in many schools.

The Partnership School Model is one of several distinct yet overlapping reforms being implemented in the School District of Philadelphia. Since his hiring in July 2002, Paul Vallas, chief executive officer of the School District of Philadelphia, has balanced the district's budget and propelled the creation of a districtwide curriculum – the Core Curriculum – with companion professional development. In addition, Vallas has initiated a multimillion-dollar high school reform initiative – the “Secondary Education Movement” – aimed at breaking up large comprehensive high schools and creating small, focused high schools across the city. A key facet of Vallas' reform strategy is to identify deficiencies in the existing system and leverage the private sector to provide key goods and services.

Philadelphia public schools are posting gains in academic performance, including gains meeting adequate yearly progress (AYP) goals. As a cohort, the EMO schools have registered academic gains but the rate of gain on the Pennsylvania System of School Assessment and the TerraNova is less than that posted by the traditional district-operated schools and the district-restructured schools. Individually, partnership schools operated by Universal Companies and Victory posted the greatest gains – in some instances, gains greater than district-operated schools.

## Lessons Learned

Numerous lessons have emerged from the case study of the Partnership School Model in Philadelphia. The lessons are grouped according to (1) the application and contract process, (2) the transition to new management, and (3) the management of multiple EMO contracts.

### *The Application and Contract Process*

- The application process provides the district with the opportunity to articulate the purpose and expectations associated with hiring EMOs *and* solicit interested providers.
- A two-step process that entails first requesting qualifications and thereafter requesting full proposals from qualified applicants streamlines the review process.
- Posting the call for qualifications and proposals and other procedural guidance on the district Web site ensures all stakeholders can obtain the same information, thereby infusing a degree of transparency and integrity into a potentially contentious process.
- Targeted marketing regarding the opportunities available in the district can expand the service-provider applicant pool, thereby engaging entities that otherwise may not apply to manage schools (i.e., for-profit and not-for-profit entities, colleges or universities, community-based organizations).
- Recruiting and selecting private managers requires careful planning and due diligence. Allocating adequate time and resources to these tasks can ensure a thorough review of credentials and allow for stakeholder involvement and potential buy-in. An abbreviated solicitation and review process may exacerbate community resistance to external managers.
- Establishing a control group of similarly performing schools can help a district evaluate the value of external service providers.

- Awarding contracts to entities that already have a presence in a specific community can ease the transition process, as the company already should have established credibility in the larger community and have a stake in serving the residents.
- Multiple factors should determine how schools are assigned to specific EMOs. Geographic proximity, established community connections and maintaining consistency among feeder schools are logical criteria for assigning schools.
- A transparent contracting process that invites community involvement may diffuse community resistance and ensure the potentially unique character of the community matches the skills of the EMO.
- Negotiating shared governance models requires compromise and open communication to navigate potentially ambiguous areas of responsibility.
- Site selection of teachers is a tool that external managers can use to accelerate development of a supportive teaching faculty.
- Plans to manage liability should be addressed and documented as a part of the management contracts.
- EMO compensation structures that are methodical and transparent add a degree of credibility to EMO contracts.

### *Transition to Partnership School Model*

- Communication among key constituents can ease transition and diffuse distrust in communities engaged in privatization of failing schools.
- The transition from public to public-private management takes time, planning and a laser-sharp focus on multiple details. Finalizing contracts prior to the school budget cycle and spring hiring provides external managers with the opportunity to align school finances and staffing allocation with their model.
- Recruiting and hiring personnel from the local community with knowledge of the school (e.g., a retired teacher or administrator) can ease private manager's entry into public schools and ensure they are sensitive to the character of the school and its community.

### *Managing Education Management Contracts*

- Managing multiple contracts with external providers requires vigilant supervision by central office administrators who have the credibility and authority to ensure the model is fully implemented. Districts contemplating hiring private providers should be prepared to allocate resources to manage the contracts.
- Regular meetings and e-mail communication provide efficient and transparent means of communication.
- Educating central office staff about the substance of the EMO partnerships can foster effective interactions and ensure the EMO schools and students enrolled in these schools are not alienated from the larger district.
- An explicit, measurable accountability plan provides clarity regarding what standards will be used to evaluate EMO performance.
- Accountability requirements associated with NCLB provide an obvious, although relatively one-dimensional, benchmark by which districts can judge EMO performance.
- Accountability measures that grant districts broad authority to cancel EMO contracts without cause may limit EMO investment in schools.
- An external review of district progress toward reform goals can provide an additional means of accountability between the district, EMOs and the community. The external entity charged with conducting the review, however, must have an explicit mission and adequate resources to fulfill the mission within a potentially politically charged environment.

## **Recurring Themes and Recommendations**

Recurring themes and recommendations which should be useful for policy leaders considering the implementation of a similar hybrid model emerged from the case study.

### *Transparency Builds Credibility*

Private management of public schools is controversial and generally only invoked in districts that are in crisis. A transparent and intentional solicitation and application process ensures all applicants have equal opportunity to compete and stakeholders have an opportunity to provide input. This transparency infuses integrity into the process and may diminish community resistance.

### *Managing Contracts Requires Planning*

Shifting a traditional district from the role of school operator to contract manager requires central office time and resources. Lack of planning can lead to an unnecessarily difficult transition. Hiring external providers requires that the district can explicitly articulate what they want to purchase and what means they will use to hold the provider accountable. A key aspect of communication is establishing a common language. For instance, what is “thin” versus “thick” management? A common language can build bridges during a restructuring process that may be extremely contentious.

### *A Functional Infrastructure Is Required To Manage Contracts*

Developing a functional infrastructure to manage contracts has practical and symbolic importance. The infrastructure provides a single district liaison for EMOs for all issues related to the privately managed schools. Having a central point of contact responsible for negotiating the transition and day-to-day management of private contracts is critical to enabling the private managers to succeed or fail on their own accord. In addition, the functional infrastructure is a symbolic statement of the district’s commitment to support and manage the private contracts.

### *Explicit Accountability Must Be Built into Contracts*

Accountability, the core tenet of performance contracts and therefore the means by which private managers will be held accountable, should be explicit and tangible from day one of the contract. In particular, a means by which districts can assess the value-added of a private manager provides a level playing field for decisions related to renewing or terminating contracts. Such a measure must be a central aspect of the contract and district-management practices. Furthermore, explicit accountability that is communicated to the broader community infuses transparency into the relationship between the district and the private managers.

## **Closing Thoughts**

The Partnership School Model implemented in Philadelphia is arguably not an example of radical school restructuring via privatization. Rather, it is more accurately described as a hybrid public/private initiative. Within specific parameters outlined in their management contracts, the EMOs have autonomy over curriculum, delivery systems and administrative hiring and firing but the district retains a substantive role in the EMO-operated schools.

Nevertheless, the administrative structure used in Philadelphia provides valuable lessons for other districts contemplating privatization. Given the political challenges generally associated with introducing private firms into the public school sector, a well thought-out administrative structure is critical to implementing a viable and successful partnership model that has a laser-sharp focus on student learning.

## **Endnotes**

<sup>1</sup> Gewertz, Catherine. (2002). “It’s official: State takes over Philadelphia school.” *Education Week* 21(16): 1, 14-15.

<sup>2</sup> Gold, E., J.B. Christman, K. Bulkley and E. Useem (2005). “Blurring the Boundaries: Private Sector Involvement in Philadelphia Public Schools. Paper presented at the Annual Meeting of the American Educational Research Association.” Montreal, Quebec, April 11-15, 2005.

<sup>3</sup> Education Empowerment Act, 24. P. S. § -6-696.

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