



# ECS Case Study School Restructuring in Philadelphia: Management Lessons from 2002 to 2005

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**Education Commission**  
of the **S t a t e s**

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## INTRODUCTION

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 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.<sup>2</sup> 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>3</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.

While this report briefly summarizes the policy context leading to the state takeover, as well as data related to student outcomes, its primary purpose is to describe the structure, roles and responsibilities of the central office apparatus charged with selecting and managing multiple external education service providers – also referred to as education management organizations (EMOs).<sup>4</sup> The policy context and student outcome data provide a framework in which to understand the lessons learned.<sup>5</sup>

The current wave of restructuring in Philadelphia began prior to the implementation of the No Child Left Behind Act (NCLB), but hiring 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

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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. 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).<sup>6</sup>

## METHODOLOGY

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 actively involved with the restructuring process and the specific management structure implemented to establish and administer the Partnership Schools Model in Philadelphia. The interviews were conducted over the telephone and in person during spring 2005. Interviews lasted between 60 and 90 minutes and were guided by open-ended interview protocols that enabled maximum dialogue while ensuring documentation of specific aspects of contracting with EMOs in Philadelphia. The interviews provided vital information regarding policies and practices implemented to manage the district contracts with EMOs.

### Data Sources

- *Accountability Review Council*
- *Edison Schools, Inc.*
- *Foundations, Inc.*
- *Imagine Schools, Inc. (formerly Chancellor-Beacon Academies)*
- *Philadelphia Federation of Teachers*
- *Research for Action*
- *School District of Philadelphia*
- *Temple University*
- *Universal Companies*
- *University of Pennsylvania*
- *Victory Schools, Inc.*

## POLICY CONTEXT FOR RESTRUCTURING

This section briefly introduces the state and district policy contexts that influenced school restructuring initiatives in Philadelphia from 2002 to 2005.

### **State Policy Context**

Pennsylvania educates roughly 1.8 million students in 690 local education agencies comprising just over 3,000 public schools.<sup>7</sup> Pennsylvania first passed legislation authorizing the state to takeover “distressed school districts” during the 1998 legislative session. The initial law, Act 46, focused on reforming districts experiencing financial distress. Subsequent legislation, Act 16, expanded the state’s restructuring authority to include academic distress.

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 School Reform Commission (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.

According to the legislation, the SRC would be composed of three members appointed by the governor and two appointed by the mayor. 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>8</sup>

***“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***

## District Policy Context

Philadelphia is the seventh largest school district in the nation with a total enrollment of just under 200,000 students in 273 public schools. Eighty percent of the students qualify for free or reduced-priced meals. Sixty-six percent of the students are African American, 15% are Hispanic, 14% are Caucasian and 5% are Asian.<sup>9</sup>

The School District of Philadelphia historically has been plagued by low academic performance, budget shortfalls and leadership turnover.<sup>10</sup> The district has implemented numerous systemic reform initiatives yet academic performance has remained relatively low. In the past, district leadership had repeatedly but unsuccessfully appealed to the state to allocate more resources to the cash-strapped urban district.<sup>11</sup> Tension between the district and the state intensified in August 2000 when Philadelphia Superintendent David Hornbeck resigned out of protest of the state's threats to dismantle his reforms. An interim superintendent was hired after Hornbeck's departure.

In fall 2001, the state hired Edison Schools, Inc. to conduct a comprehensive evaluation of the district and make recommendations to substantively improve it. Edison hired multiple subcontractors (e.g., McKinsey & Company and Spencer Stuart) to conduct substantive aspects of the evaluation. Amid much controversy, Edison completed its evaluation in October 2001 and recommended radical restructuring, including hiring a lead contractor to transform the central office and private providers to manage a large cohort of the lowest-performing schools. Interim Superintendent Philip Goldsmith resigned in December 2001 out of frustration with the state's plan to privatize the district and specifically the anticipated primary role of Edison.<sup>12</sup> Edison's evaluation – and specifically the company's recommendation that a single entity, presumably Edison, should be awarded a contract to manage the central office – generated anger and distrust among other stakeholders as well, which according to observers continues to linger three years into the Partnership School Model.

In December 2001, the state appointed James Nevels to serve as the SRC chairman and he assumed the responsibilities previously held by the elected board of education. The other four members were appointed in January 2002. The composition of the SRC reflected a compromise, but the wishes of the governor and the state legislature reportedly permeated the SRC. The state was effectively influencing the restructuring effort both by its influence over the SRC and the practical reality that the state had dollars it could dedicate to the district to support hiring private managers.

In February 2001, the SRC unveiled what was characterized as a compromise/restructuring plan: the Partnership School Model. In this model, the district would hire multiple external providers – as opposed to a single entity – to manage approximately 45 schools identified as failing. The SRC spent the late winter and early spring months soliciting and reviewing proposals from EMOs interested in managing district schools.

While the SRC was gearing up to implement its Partnership School Model, it also was charged with recruiting a chief executive officer (CEO) to replace the departed interim superintendent. The SRC is the entity responsible for the school district, but the CEO is responsible for implementing the SRC's broad agenda. After a national search, the SRC hired Paul Vallas to serve as the CEO in July 2002. Vallas is a respected urban schools superintendent with an established record of school reform in the Chicago Public Schools. While the decision to hire EMOs was made prior to Vallas' arrival, he was able to imprint his vision on the Partnership School Model during the process of negotiating the final contracts with the seven EMOs selected to operate schools.

### Partnership School Model Timeline

<i>August 2001</i>	<i>Edison Schools, Inc. hired to conduct evaluation of School District of Philadelphia</i>
<i>October 2001</i>	<i>Edison submits evaluation findings and recommends districtwide privatization</i>
<i>October 2001</i>	<i>Pennsylvania General Assembly passes Senate Bill 640, which charges the governor and the mayor with appointing a School Reform Commission (SRC)</i>
<i>December 2001</i>	<i>SRC chairman appointed</i>
<i>January 2002</i>	<i>Additional members appointed to SRC</i>
<i>February 2002</i>	<i>Request for Qualifications due</i>
<i>March 2002</i>	<i>Request for Proposals (RFP) due</i>
<i>April 2002</i>	<i>Seven EMOs selected to manage 45 schools</i>
<i>July 2002</i>	<i>Paul Vallas hired as chief executive officer</i>
<i>September 2002</i>	<i>Schools open under management of EMOs</i>
<i>Spring 2003</i>	<i>Second call for RFP</i>
<i>June 2003</i>	<i>Contract with Chancellor Beacon Academies revoked for "convenience"</i>
<i>March 2005</i>	<i>Accountability Review Council releases first report on outcomes of school reform</i>

The Partnership School Model is one of several distinct yet overlapping reforms being implemented in the School District of Philadelphia. CEO Vallas balanced the district's budget and propelled the creation of a districtwide curriculum – the Core Curriculum – with companion professional development. In 2003, the central office eliminated 325 positions, which amounted to \$25 million in savings.<sup>13</sup> 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. According to Vallas: “We use the market to access the additional financial, operational and academic expertise we need to move our reforms along faster.”

In addition to the numerous district-directed reform initiatives, Philadelphia has an established and growing charter school sector. When the state appointed the SRC during the 2001-02 school year, there were 38 charter schools in Philadelphia.<sup>14</sup> As of fall 2004, there were 52 charter schools operating in Philadelphia enrolling an estimated 52,000 children.<sup>15</sup>

School privatization is generally presumed to foster school improvement because it infuses market forces associated with consumer choice, competition and accountability into the public system. In Philadelphia, consumer choice is reportedly provided in the burgeoning charter school sector and multiple magnet schools, but parental choice is not an explicit goal embedded in the existing Partnership School Model. Rather, the market forces of choice and competition are purportedly present at the district level in that various EMOs are expected to compete for contracts. In the words of Eva Gold of the Philadelphia-based Research for Action, “Choice is the prerogative of the district. The SRC, the state and the city – the central office – are making choices. They are making choices about which private providers come to Philadelphia, to which schools they will be assigned and for what they will be held accountable.” This is in contrast to how school choice is typically conceptualized as a decision assigned to parents. As a result, the growth of charter schools and existing, as well as proposed, focused small high schools is reported to be bolstering school choice in Philadelphia, while the introduction of EMOs into Philadelphia is not perceived to be doing so.

## **IMPLEMENTING THE PARTNERSHIP SCHOOL MODEL**

The process of implementing and thereafter managing the Partnership School Model in Philadelphia entailed the following procedures: soliciting proposals, selecting providers, negotiating management agreements, transitioning to new management, managing contracts, implementing accountability plans and documenting outcomes. These procedures and related lessons garnered from Philadelphia’s current restructuring initiative are described below.

### **Soliciting Proposals**

The SRC identified four possible methods to improve schools identified as failing: reconstitute, convert to charter status, award contracts to EMOs or convert to independent school status. The option to become an independent school was never clearly defined and this method was not used.

Due to the high profile nature of the proposed EMO Partnership School Model, the district did not proactively release blanket solicitations or purchase advertisements regarding the contracting opportunities. Rather, potential vendors reportedly learned about the contracting opportunities from coverage in the local and national press. According to Diane Castelbuono at the School District of Philadelphia who participated in the initial process, “the SRC was clearly pressed as part of the state takeover to make big changes and to make them quickly.” These pressures shaped the recruitment and selection procedures. The process of soliciting proposals to manage schools entailed two steps: an initial Request for Qualifications and a subsequent Request for Proposals.

### **Request for Qualifications**

In January 2002, the SRC released a Request for Qualifications (RFQ).<sup>16</sup> The purpose of the request was to solicit initial proposals from potential vendors to pre-qualify for a secondary review of their capacity to manage specific schools in the district.

During the proposal solicitation and review process, the district maintained a Web site that contained the requests and specific directions about the review process. The RFQ outlined the reasons for the request and articulated the expectations of educational

service providers. It represented a public statement of the goals and objectives of the Partnership School Model. The RFQ contained the following concise description of the anticipated partnership agreements:

“All contracts will provide for performance standards and academic and financial accountability and require the Providers to commit to improving student achievement, at levels determined at the time the contracts are negotiated, over each year of the contract, and will also contain other requirements, including, without limitation, provisions for indemnity and insurance, contract monitoring and use of permitted subcontractors.”<sup>17</sup>

The call was open to the public and received broad media coverage. The SRC also recruited specific providers it anticipated would be successful managers in Philadelphia. EMOs that met the criteria based on the qualifications were invited to submit full proposals.

The RFQ contained specific directions and criteria the district stated it would use to assess potential providers. The directions dictated a deadline, the document format parameters and explicit instructions. All inquiries regarding the request were handled in writing by a single specified point of contact. Potential applicants were expressly forbidden from contacting other administrators or representatives of the district or the SRC during the qualification process. A team of district staff reviewed the qualifications and made recommendations to the SRC based on the criteria established in the RFQ. The central issues considered were past engagements, financials, personnel, stakeholder involvement and curricula experience.<sup>18</sup>

The SRC made it a priority to ensure all applicants had equal access to information about the process. The district assigned a district employee to be the single point of entry for all questions and shared all responses to all applicants’ questions. This flow of information reportedly infused a level of transparency into the proposal process. According to SRC Chairman James Nevels, the team charged with creating the review process aimed to “design and manage a proposal process that emphasized uniformity of communication with all bidders.” Richard Barth of Edison Schools recalled that the RFQ provided a “statement of the rationale and the deliverables they [the SRC] are looking for. This process allows you to vet the providers and determine which partners are likely to achieve the goals.” Other applicants concurred the formal RFQ provided criterion, which they could anticipate being judged against, that enabled them to focus their proposals.

Twenty-seven firms submitted their qualifications to the district for consideration. The pool of applicants consisted of established for-profit EMOs as well as a variety of entities new to education management (e.g., colleges and universities, community-based organizations and not-for-profit community development organizations). The district reviewed the responses to the RFQ and invited select applicants to submit a proposal for educational services.

The process of conducting due diligence was reportedly hampered by the fact that Philadelphia was breaking new ground and none of the companies had experience engaging in the scope of private management proposed for the district. A representative of the Philadelphia Federation of Teachers captured the sentiments of multiple key stakeholders when she noted: “How do you actually conduct due diligence when you have no way to evaluate whether the companies are capable of what you are asking them to do?” A particular point of concern was very few of the companies had any experience managing middle or high schools. In part due to the district’s broader high school reform initiative, the district decided not to award any contracts to EMOs to operate high schools. In line with the district’s plan to eliminate middle schools, however, EMOs would be awarded contracts to operate some middle schools and to assist them in the transition from the traditional K-5 and 6-8 configurations to K-8 schools.

### Request for Qualifications Criteria

- *Background (i.e., name of firm, years in business, legal status, address, biographical summaries of officers/principals, list of potential subcontractors, credit references)*
  - *Past Engagements*
  - *References*
  - *Financials*
  - *Personnel*
  - *Budgetary Experience*
  - *Prime/Subcontractor Relationship*
  - *Pennsylvania-Specific Experience/Familiarity*
  - *Previous School Management Experiences*
  - *Stakeholder Involvement*
  - *Curricula Experience*
  - *Student Management Programs*
  - *Staff Development*
  - *Lead Provider*

## ***Request for Proposals***

In March 2002, the district invited 10 of the 27 entities that completed the RFQ to complete a Request for Proposal for Educational Services (RFP). Whereas the RFQ had asked for specific information about each provider's ability to manage schools in general, the RFP asked for additional information regarding providers' experience and their specific plan for the schools they would manage. The categories of information were past and present engagements, prospective performance in managing school district partnerships, finance and budget, community engagement, and recruitment and marketing plan.

The full proposal required applicants to further articulate their capacity and identify the schools or geographic area in which they would like to manage schools. As part of the review of the 10 finalists, the SRC conducted interviews and site visits. For a complete list of the categories and the specific information requested of providers in each category, see Appendix A.

In combination, the RFQ and the RFP provided the district with the opportunity to learn as much as conceivably possible about the firms. Diane Castelbuono of the School District of Philadelphia noted: "We reviewed qualifications, called all references, including schools that had terminated contracts, and visited schools when feasible."

From the perspective of the EMOs, the request for qualifications and subsequent review was thorough and intense. A representative of one of the EMOs recalled, "The review was very substantive. We had to put together our team, our financial plan, curriculum, assessment, [our] notion of monitoring, evaluation, capacity of the organization and then we had to be interviewed. We had to document our organization's background. The interview with the district team was really about revealing the capacity of the organization."

Some applicants reported frustration with the process due to the hurried manner in which it was conducted and the fact the state takeover was evolving during the process. EMO personnel described the process as rushed and "restructuring in a hurry." An EMO representative explained that "notification and turnaround was very brief."

The rushed nature of the process created challenges. In particular, it limited the degree to which the community was invited to participate in the review and selection process. Castelbuono noted, "When you are going to privatize, the last thing you want to do is rush it. This was a new level, a new scale, you can't rush the process." Octavio Visiedo of Imagine Schools (formerly Chancellor Beacon Academies) noted that the process was "very convoluted ... not initially due to sinister design but simply due to the whole restructuring process being initiated prior to Vallas being selected. The rules of the game were shifting as the process happened and in fact, after the whole process initially was run very very late. It was strife with controversy." The comments of the providers indicate that while the SRC strived to create a thoughtful and transparent process, the rushed solicitation and review phase somewhat undermined their efforts.

## ***Subsequent Proposal Solicitations***

The focus of this brief is the administrative structures the district has created to manage the contracts with the seven EMOs negotiated during the summer of 2002. The practice of engaging external providers, however, continues to evolve in Philadelphia. In spring 2003, the district released a second call for proposals. While the 2002 call requested proposals to manage entire schools, the second wave requested proposals for collaborative partnerships in which external providers would provide a specific service. In response to the call, the district awarded contracts to Drexel University, Eastern University, Franklin Institute, Holy Family College, K12 Inc., Lock Haven University, St. Joseph's University and the University of the Sciences in Philadelphia. These new partnerships have engaged 16 schools and provide services such as teacher certification and professional development, student tutoring and mentoring, business management assistance, and in-school medical support. In addition, numerous subsequent partnerships of this type have been or are in the process of being established in Philadelphia.

***"... the district is exploring new ways that educational specialists can leverage their expertise in support of student achievement."***

***– Paul Vallas, chief executive officer,  
School District of Philadelphia***

In contrast to the whole-school approach used by the EMOs, according to CEO Paul Vallas, "We don't necessarily want [the second cohort] to manage every aspect of a school and instead [we] are letting them manage individual programs and initiatives that support specific academic achievement goals. By collaborating with us as management partners rather than traditional

EMOs, and bringing specialized expertise and resources to bear on the educational process, the district is exploring new ways that educational specialists can leverage their expertise in support of student achievement.” In return for their services, the external providers are compensated roughly \$170 per student enrolled in partnership schools.<sup>19</sup> In an effort to ease the transition of the partners into the schools, the district’s office of development sponsored meetings between the new partners, school leadership and the community to educate and build support among school stakeholders.

## Lessons Learned

- A formal RFQ and subsequent RFP provide a district with the opportunity to articulate the purpose and expectations associated with hiring EMOs to operate schools.
- Posting the RFQ and the RFP and other relevant 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 and highly political 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.
- In-depth due diligence is critical to ensuring potential applicants have the capacity to fulfill at a minimum their basic responsibilities (e.g., order curriculum materials, hire staff to manage partnership relationship, provide professional development).
- 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.

## Selecting Education Service Providers

A panel of reviewers comprising district staff members representing various divisions of the district conducted the process of selecting vendors and thereafter assigning schools to them. The district developed a rubric with the assistance of a local university based on the qualifications requested in the RFQ and RFP. Staff members with experience reviewing charter school applications were a part of the EMO review process. Their experience granting charters reportedly helped prepare them to review the EMO proposals.

Representatives from the various EMOs were invited to a public hearing before the SRC. The hearing provided the SRC with the opportunity to observe the EMO representatives and personally assess their capacity to fulfill the contracts. The SRC members made the final selections and school assignments. SRC Chairman James Nevels characterized the process in the following manner: “The team evaluated proposals and interviewed bidders and made recommendations to the School Reform Commission. The team and the commission took into account the experience of the management companies and their understanding of the needs of particular schools and communities.”

While described by applicants as intense and demanding, the process, however, was not perceived to be particularly competitive in that there is still a relatively small albeit growing market of EMO competitors. Furthermore, the district has not emphasized or encouraged competition between the EMOs working in the city. Rather, multiple stakeholders described the relationship between the EMOs as somewhat collaborative in nature with the goal being how to ensure all the EMOs are able to improve their students’ achievement levels.<sup>20</sup>

Using the multiple models available to restructure schools, the SRC announced in February 2002 it had identified 45 schools to be awarded to seven EMOs, 21 schools to be reconstituted as district-restructured schools and four schools to be converted to charter or pre-charter status. Of the seven EMOs, three were for-profit entities (Chancellor Beacon Academies, Edison Schools, Inc. and Victory Schools, Inc.), two were local community-based organizations (Foundations, Inc. and Universal Companies) and two were institutions of higher education (Temple University and the University of Pennsylvania). These schools were provided with some additional funds. The seven EMOs briefly are described below:

1. **Edison Schools, Inc.** – Edison Schools is an established EMO with experience managing district and chartered public schools in multiple states. Edison has its own comprehensive school program that is implemented in all its schools. A defining characteristic of the Edison model is extensive professional development, packaged curricula such as Success for All and Chicago Mathematics, and benchmark assessments designed to help

teachers regularly evaluate and adjust teaching based on individual student progress. Edison was initially awarded a five-year contract to manage six elementary schools, eight middle schools and six K-8 schools. Edison's schools are dispersed in multiple neighborhoods across the city. In 2002-03, Edison was paid \$881 per pupil for its management services. In year two, the management fee was reduced to \$750 per pupil. In spring 2005, Edison was awarded two additional schools.

2. ***Victory Schools, Inc.*** – Victory is an established EMO with experience managing district and chartered public schools. Victory was initially awarded a five-year contract to manage three elementary schools and three middle schools dispersed between two different neighborhoods. In year two of the contract, Victory was awarded an additional middle school. Victory offers a standardized educational model in all its schools. The model uses Direct Instruction and Everyday Math and engages school-based coaches to develop the capacity of teachers. In year two of its five-year contract, Victory separated one of the middle schools into two separate, single-gender academies. Victory was paid \$803 per pupil for its management services in year one, and this fee was reduced to \$750 in year two.
3. ***Chancellor Beacon Academies*** – Chancellor Beacon Academies (CBA) is also an established EMO with experience operating district and chartered public schools. CBA was initially awarded contracts to manage five district schools – three elementary and two middle schools – for five years. EMOs typically have a proprietary school model, but CBA's approach is more individualized and generally developed in consultation with school personnel. The CBA schools offered the district curriculum and the company provided supervision of school staff. CBA was paid \$803 per pupil for its management services. The district cancelled its contract with CBA after the first year.
4. ***Universal Companies*** – Universal is a small local economic development organization dedicated to improving housing, job opportunities and public education in south Philadelphia neighborhoods. A key priority motivating Universal is improving the general climate in the neighborhoods in which it is located and ensuring resident children can access a high-quality public education sector. Universal schools offer the district's Core Curriculum, but augment it with programs such as a summer reading program and a Saturday enrichment program. A centerpiece of Universal's model is ClassLinks, which is a data-driven class support system developed to regularly evaluate student progress and adjust instructional strategies.

Prior to applying to operate public schools via management contracts, Universal opened a charter school and offered multiple community outreach activities in its neighborhoods. The SRC initially awarded Universal only two schools and shortly thereafter added a third school. Universal was awarded a five-year contract and was initially compensated \$650 per student. The company is now paid \$750 per student.

<b>EMO-operated Schools</b>	
<i>Chancellor Beacon Academies</i>	<i>5 schools initially; contract terminated in 2003</i>
<i>Edison Schools, Inc.</i>	<i>20 schools at the outset; 2 schools added in 2005</i>
<i>Foundations, Inc.</i>	<i>5 schools at the start; an additional school added in 2003</i>
<i>Temple University</i>	<i>5 schools initially; 1 school added in 2003 and 2 schools closed in June 2005</i>
<i>Universal Companies</i>	<i>2 schools at the beginning; an additional school added in 2003</i>
<i>University of Pennsylvania</i>	<i>3 schools</i>
<i>Victory Schools, Inc.</i>	<i>5 schools initially; an additional school added in 2003</i>

5. ***Foundations, Inc.*** – Foundations is a local nonprofit that provides extended-day enrichment and technical assistance to schools, school districts, and community organizations. Foundations has developed its own school model – Foundations Academic Model for Excellence (FAME) – which uses multiple prepackaged curricula such as Pearson's Digital SuccessMaker. The SRC initially awarded Foundations contracts to manage three elementary



schools and two middle schools. All six of the Foundations schools are geographically proximate in a region of the city in which they previously worked to provide after school tutoring. In the second year of the initiative, Foundations was awarded an additional contract to manage a high school – the only high school to be managed by an EMO. The initial five-year contract stipulated that Foundations would be paid \$667 per child. Foundations now receives \$750 per pupil.

6. **Temple University** – Temple University is a public university located in North Philadelphia. Temple was encouraged to apply to participate in the Partnership School Model. Temple has a College of Education, but the application to manage schools was submitted by the President’s Office, and a branch of it manages the partnership schools. The centerpiece of Temple’s school management model is team-based instructional leadership, which facilitates individual teacher’s expertise for the benefit of all faculty members, and an intense literacy framework that is driven by writing, phonics and regular assessments.

Temple initially was awarded a contract to manage five partnership schools for three years – three elementary schools and two middle schools. The initial Memorandum of Understanding with the district stipulated that Temple would be paid \$450 per pupil for a period of three years to manage the five schools. A sixth school was added to the Temple contract in 2003. In 2005, the district closed the two middle schools that Temple managed as a part of the districtwide initiative to phase out middle schools.

7. **University of Pennsylvania** – The University of Pennsylvania is a large private university located in West Philadelphia. The Graduate School of Education had experience operating a school pre-dating the state takeover, and district officials encouraged the university to consider applying to operate additional schools under the Partnership School Model. The university was awarded contracts to manage two elementary schools and a K-8 school located in close proximity to the university. The university emphasizes professional development of partnership school teachers, and university faculty members provide direct classroom support to teachers. The Memorandum of Understanding with the district stipulates the university will be paid \$450 per pupil for a period of three years to manage the three schools.

## **School Assignment**

District staff and the SRC assigned schools to individual EMOs. The process of assigning schools was not particularly transparent, and local communities did not have an explicit role in selecting which EMOs would be awarded contracts to manage specific schools. Nevertheless, EMO and district representatives reported they understood a variety of factors influenced how individual companies were assigned specific schools.

In general, the two not-for-profit organizations and two universities were assigned schools that they requested based on geographic proximity to their organizations. In contrast, the three EMOs were assigned the remaining low-performing schools without much focus on geographic location. For Edison, which was assigned a total of 20 schools, this arrangement required the company to manage schools in five regions of the city as opposed to one concentrated area. While a logical assignment of schools would have enabled a single company to operate a K-12 feeder pattern, the district’s secondary school reform initiative reportedly limited the degree to which this was feasible.

## **District Restructured Schools**

In addition to hiring seven EMOs to operate 45 schools, the district reconstituted 21 low-performing schools but retained responsibility for their management. These schools approximate an informal control group against which the performance of EMO schools can be compared. Of the 21, 14 were elementary schools, four were middle schools and three were K-8 schools. The restructured schools were managed by the district under a newly created office of restructured schools. The restructured schools adopted instructional and curricula changes such as block scheduling for mathematics and reading, the district’s core curriculum, additional professional development, reduced class size and extended learning hours.<sup>21</sup> Some but not all of the restructured schools were assigned new principals. These schools were allocated an additional \$550 per pupil to implement a variety of reform initiatives.

## Charter Schools

The district converted a single school to charter status and granted three schools “pre-charter” status. The three pre-charter status schools were operated by EMOs (two by Foundations and one by Universal). Parallel to the district restructured schools, the charter school with full charter status was allocated an additional \$550 per pupil to implement a variety of reforms. Each of the pre-charter schools receives a different allocation based on their management structure.

## Lessons Learned

- Multiple types of organizations can serve as operators of public schools.
- Establishing a control group of similarly performing schools can help a district evaluate the value of external service providers.
- An abbreviated solicitation and review process limits community input and may exacerbate community resistance to external managers.
- Awarding contracts to entities that already have a presence in a specific community can ease the transition process, as the company should already 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.

## Service Provider Agreements and Memoranda of Understanding

After the seven EMOs were selected and assigned schools, the district embarked upon the contract negotiation phase of the process. The for-profit EMOs and not-for-profit organizations signed service provider agreements while the two universities signed memoranda of understanding. These legally binding documents define the parameters of the working relationship between the seven EMOs and the district. The following sections describe the documents that formalize the Partnership School Model and introduce specific details regarding “thin management,” teacher site selection, managing liability and EMO compensation.

### Service Provider Agreements

The final contracts with the EMOs were negotiated over the course of a month, which coincided with CEO Vallas’ first month on the job. Barbara Goodman of the Philadelphia Federation of Teachers (PFT) noted that the abbreviated nature of the contract negotiations necessitated by the approaching school year limited any significant input from the stakeholders. Octavio Visiedo of Imagine Schools (formerly Chancellor Beacon Academies) equated the initial contract negotiation to “building the airplane as you are flying with everyone taking shots at you. It was a very convoluted kind of process that just was very difficult to participate in.”

***“We very much wanted each manager to start on the same playing field and we felt that the uniformity of the contract allowed for that to occur.”***

***– James Nevels, chairman,  
School Reform Commission***

The boilerplate contract went through numerous iterations, with EMO and district lawyers refining the specifics of the relationship. While there were negotiations, however, there was relatively little flexibility regarding key requirements relating to security, janitorial services or the collective-bargaining agreement with the PFT. The contract negotiation process resulted in the three for-profit EMOs and two not-for-profits signing essentially boilerplate education service provider agreements that articulated their responsibilities and the responsibilities of the district. The boilerplate contract reportedly helped retain the integrity of the contract-negotiation process. Changes negotiated with one EMO were included in the contracts with all the EMOs. Chairman Nevels noted that “we very much wanted each manager to start on the same playing field and we felt that the uniformity of the contract allowed for that to occur.”

Richard Barth of Edison Schools cautioned that while a standard review and contracting process can infuse transparency, it also can limit potential differences, which can be beneficial to students. Barth explained, “Attempts to standardize lead to eliminating possibility. All the providers bring something different. We have different strengths, and this is something to be conscious of from a policy standpoint.” Effectively managing contracts with multiple providers necessitates balancing the goals of transparency with a parallel goal to maximize the benefit from each EMO.

Chancellor Beacon, Edison, Foundations, Universal and Victory each signed a five-year contract. The district reviews and, if necessary, adds side letters (e.g., amendments) to the contract at least every two years. By periodically reviewing the agreements, the district has the opportunity to review the contract and adjust it as necessary.

## ***Memoranda of Understanding***

Temple University and the University of Pennsylvania negotiated memoranda of understanding (MOU) that articulate their responsibilities related to strengthening the curriculum and building instructional capacity. The agreements with the universities are for three years and encompass a somewhat narrower scope of responsibilities than those negotiated with the other five entities.<sup>22</sup> For instance, the MOU states the district will “continue to supervise, manage, and otherwise be responsible for the functioning of the three Partnership Schools on a day-to-day basis, including but not limited to supervision of all School District teachers and staff ...”<sup>23</sup> This is in contrast to the service provider agreement signed by the other five entities that states the EMOs “shall provide the management, administrative services, and professional staff training as provided for herein and technology necessary to implement and provide the Educational Service Provider Managed Schools.”<sup>24</sup>

Representatives of the two universities expressed different views regarding their responsibilities in their assigned schools. Nancy Streim of the University of Pennsylvania described her university’s role in the partnership schools in the following manner: “We see ourselves as partners to the principals. We have not positioned ourselves as the manager of the principal.” As partners to the schools, Streim explained that implementing change is challenging and requires time:

“We have understood our role and mission in terms of building capacity in the schools. We originally thought, do this for three years and by the end of three years teachers and principals will get it and run with it. We were striving to work ourselves out of a job. At the same time, we have been taking the long view that building capacity takes time. You have to build trust; you have to cultivate talent and leadership. It has been very challenging.”

While the partnership started out relatively collaboratively, in year two, the relationship evolved and the University of Pennsylvania shifted to a more “deliberate management role.” Streim noted that “the principals’ dual reporting relationship was undermining our ability to guide instructional improvements.” To clarify the lines of authority between the schools and the university, they established a principal review and evaluation protocol.

In contrast to the University of Pennsylvania’s initial collaborative approach, Temple approached the partnership with a heavier management hand. John DiPaolo of Temple University explained that “... for Temple to implement the reform program we envisioned, we needed robust management powers.” In accordance with this approach, DiPaolo led efforts to negotiate a protocol for EMO administrators, in collaboration with the regional superintendents, to be the primary evaluators of school principals. According to DiPaolo, the three critical powers of all the EMOs are “to supervise and evaluate the principal, to set curriculum and to sign off on school budgets.”

While the two universities expressed different approaches to their evolving management responsibilities, they both receive the same compensation for their services. In addition, both Temple and Pennsylvania are equally responsible for student academic outcomes in the schools they manage.

## ***Thin Management***

The centerpiece of both the service agreement and the MOU is a management arrangement coined “thin management.” In this arrangement, the district and EMOs, to varying degrees, work as partners in the individual schools. SRC Chairman James Nevels characterized the model as one that “provided for all teachers and staff to remain employees of the school district but gave the

***“It did start as a dramatically radical approach but by the time it hit the road, it certainly was not the earth shaker initially represented.”***  
– EMO executive

managers major input in the selection of principals and flexibility to initiate instructional and curriculum models within broad school district guidelines. By preserving the concept of school budgets for each school, the school district was able to retain the way it sets overall budgets for all schools on a districtwide basis and the managers were able to set priorities for all schools by electing from a menu of services, provided they kept within the school's budget."

Under thin management, EMOs are charged with providing a curriculum and supervising the principals as they lead the school in implementing the EMO-specified school model. As part of providing a curriculum, each EMO is responsible for providing curriculum materials and professional development to build teacher skills and support its program. Table 1 presents a summary of the manner in which key roles and responsibilities are delegated under thin management.

Thin management was characterized as a "comfortable compromise" by Alice Heller of the district office of development. Heller explained that "we only gave the EMOs [limited autonomy]. They could bring in their instructional model and coaches. They have to follow our code of conduct, our teachers and our facilities. This is not an independent model. It is a very specific model of management. The main function of the EMOs is to manage the curriculum and delivery system. Hopefully, they do it better and more efficiently than we [the district] do it."

**Table 1: Delegation of Key Responsibilities for Non-University EMOs<sup>25</sup>**

Responsibility	Entity Responsible in Non-university EMO-managed Schools (in instances where responsibility is shared, the first entity listed holds primary responsibility)
Provide pre-operating and professional development costs	EMOs
Appropriate operating budget for EMO schools	School District of Philadelphia
Site budget control	EMOs
Provide complete educational model	EMOs
Provide noncurriculum supplies and materials (e.g., paper, pencils, pens, chalk, erasers)	EMOs and School District of Philadelphia
Develop school calendar in compliance with district requirements related to number of student days and staff development days	School District of Philadelphia
Conduct professional development/in-service training	EMOs and School District of Philadelphia
Administer state and local standardized tests	EMOs and School District of Philadelphia
Hire, supervise, fire teachers	School District of Philadelphia and EMOs
Hire, supervise, fire administrators	School District of Philadelphia and EMOs
Provide administrative services (e.g., accounting, payroll, benefits management, human resources)	School District of Philadelphia
Conduct capital repairs	School District of Philadelphia
Provide security	School District of Philadelphia
Supply transportation	School District of Philadelphia
Maintain facilities	School District of Philadelphia
Abide by all applicable federal, state and local statutes, ordinances, resolutions, and regulations	EMOs and School District of Philadelphia
Provide English language learner program	School District of Philadelphia
Food service	School District of Philadelphia
Furnish/manage technology	School District of Philadelphia and EMOs
Enroll all students in home attendance zone (i.e., catchment areas)	EMOs and School District of Philadelphia
Implement district disciplinary policies and procedures (including truancy issues and separate schools and programs for students with discipline problems)	EMOs and School District of Philadelphia
Provide special education and related services (except to students labeled “low incidence”)	EMOs
Develop and maintain student reports and records (e.g., enrollment, attendance, graduation, dis-enrollment, suspensions, expulsions, transfers)	EMOs and School District of Philadelphia
Implement accountability plan	School District of Philadelphia and EM
Maintain commercial general liability insurance coverage	EMOs

Source: Education Service Provider agreements and personal communication with Alice Heller of the Office of Development, School District of Philadelphia, July 18, 2005.

Richard Barth of Edison Schools summarized the prospective value of thin management given the politically contentious environment surrounding the Partnership School Model in the following manner: “Can you partner in a way that does not cause controversy but it adds value? In Philadelphia this means working within the confines of the collective-bargaining agreements and at the same time driving home the importance of higher student achievement.”

Thin management reflects the practical reality that even when there is broad political will to implement substantive reform such as that embodied in the Partnership School Model, the actual implementation of the reform requires concessions to avoid complete chaos instigated by resistance to the concept of wholesale public school privatization. One EMO executive commented, “It did start as a dramatically radical approach but by the time it hit the road, it certainly was not the earth shaker initially represented.”

There is tension within this shared governance model when separating specific aspects of management between EMOs charged with improving outcomes and the district central office that ultimately retains responsibility for the schools. John DiPaolo of Temple University referred to thin management as an attempt to “bifurcate management,” which may undermine efforts to improve student outcomes. He noted that: “Our role was and is to manage schools; to be the first line of responsibility for the education program and for the efforts to reform education practices so that student achievement actually improves.” DiPaolo explained the compromises embedded in the notion of thin management, however, separate school improvement from some management responsibilities that can be counterproductive. He emphasized that “to stay interested in student achievement, you need to also focus on management.” DiPaolo’s comments captured the challenges associated with splitting responsibility in a high-stakes environment in which EMOs are held accountable for outcomes even though they do not have total control of the factors that influence outcomes (e.g., teacher hiring, facilities, special services).

Thin management was initially implemented as a strategy to transition district schools to private management. After three years, it is still being used. This hybrid model appears to be appealing to most district and EMO personnel because it ensures that school personnel and students can benefit from district central office expertise related to human resources, transportation, food services, special education and related services, services for English language learners, and facilities maintenance. In addition, it incorporates new curriculum and instructional approaches from EMOs.

### ***Teacher Site Selection***

Philadelphia operates a centralized human resource department. In accordance with the standing collective-bargaining agreement, teacher vacancies are filled at the central office according to seniority. The contracts and memorandum of understanding with the EMOs did not alter the district hiring procedures. The exception to this policy is if two-thirds of a school’s faculty vote for site-based selection wherein principals are granted authority to fill teacher vacancies. Fewer than 20% of all Philadelphia public schools have site selection. The EMOs were not granted automatic site selection, but a number of the schools managed by the EMOs had site selection prior to their arrival and other schools have adopted site selection since the transition to EMO management in 2002. Obtaining teacher site selection is attractive to principals and EMOs because it provides them with more control over school faculty. The current PFT contract allows 50% of vacancies in any school to be filled by principals, as opposed to the central office, using site selection.

### ***Managing Liability***

As part of the management agreement, the district required all providers to present documentation of primary and excess general liability insurance with the district named as an additional entity. In addition, the district required each EMO to ensure it had sufficient financing to meet cash flow requirements associated with purchasing goods and operating the schools.

### ***EMO Compensation***

A district press release outlined the three components that shaped the manner in which compensation for the non-university EMOs, reconstituted schools and charter schools was determined.<sup>26</sup> The two universities were paid a reduced fee that was not grounded on the three components but instead was based on what was deemed appropriate given the services being provided. The fees represent a per-pupil allocation. This amount is in addition to the per-pupil figure the district expends on students, which remains under the auspices of the district central office. All total, the contracts with the EMOs represented a \$37.5 million commitment to restructuring.<sup>27</sup> Table 2 contains a summary of the EMO compensation structure.

The first component – teacher differential – was based on the assumption the EMOs were assigned the lowest-performing schools that historically have employed the teachers with the least amount of experience and therefore the lowest salaries. Based on this premise, the district calculated the difference between the average salary of the EMO schools and the overall district average and paid each EMO a supplement to provide more support and training to teachers.

The second component of the EMO compensation calculation – equity grants – sought to ensure all EMO schools had adequate resources to provide the required additional supports and services. The equity grants were determined by calculating the cost of (1) providing a full staff for each school, (2) providing on-site academic coaching and mentoring for teachers, (3) enhancing student supports and (4) purchasing additional materials and technology.<sup>28</sup>

The third component – administrative support – was calculated based on assessing the level of central office support each school would typically receive but which now would be assumed by the EMOs. Neither the reconstituted schools nor the charter schools were eligible for the administrative support subsidy because these schools received the same level of central office support as traditional public schools.

In addition to the per-pupil fee, all EMO-operated schools remain eligible for a proportionate share of any summer school offerings, technology purchases or other capital expenditures allocated by the district. The resources allocated to compensate the EMOs originated from the state. Federal dollars were not allocated to the contracts although partnership schools managed by EMOs remain eligible to apply for federal funds for which they qualify (e.g., Title I, Individuals with Disabilities Education Act, competitive grant programs).

**Table 2: 2002-03 Partnership School Model Compensation Formula**

Per-pupil Fees	Teacher Differential	Equity Grant	Administrative Support	Total Negotiated Per-pupil Subsidy
Chancellor Beacon	\$259	\$438	\$106	\$803
Edison	\$337	\$438	\$106	\$881
Foundations	\$123	\$438	\$106	\$667
Universal	\$112	\$438	\$106	\$656
Victory Schools	\$313	\$438	\$106	\$857
Restructured Schools	\$112	\$438	\$106	\$550
Charter Schools	\$112	\$438	\$106	\$550
Temple University	–	–	–	\$450
University of Pennsylvania	–	–	–	\$450

Source: School District of Philadelphia (2002, July). School Reform Commission reaches agreement with education management organizations: Contracts provide maximum flexibility and accountability. Retrieved March 15, 2005, from [http://www.phila.k12.pa.us/src/press\\_releases/emo\\_contracts.pdf](http://www.phila.k12.pa.us/src/press_releases/emo_contracts.pdf).

The district's press release regarding the calculations used to determine EMO compensation articulates what appears to be a justifiable formula. Interviews with all seven EMOs, however, revealed a more ambiguous understanding regarding how compensation was determined. Numerous key stakeholders expressed their perception that the compensation was not scientific but rather arbitrary based on what individual firms requested for their services. The disparity between stated district policy and provider understanding regarding compensation may be a consequence of the politically charged environment in Philadelphia or simply the hurried nature of the contract negotiations. Nevertheless, it underscores the importance of transparency in decisionmaking when embarking upon controversial reforms such as private management of public schools.

## **Lessons Learned**

- Philadelphia does not represent an example of privatization but rather a hybrid form of privatization 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.
- 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**

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 RFQ was released in February and the RFP was released in March. EMOs were selected and contracts were negotiated by July 2002 just prior to the schools opening under new management. Observers involved with the review, selection and negotiation process characterized it as “abbreviated,” “rushed” and “frenetic,” and noted the short timeframe severely limited the potential for community input or buy-in. In addition, 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 transition was managed by the individual providers instead of by the district central office and therefore unique for each EMO.

EMO practices reportedly contributed to the degree to which the transition process was smooth or challenging. While rushed, some of the providers were able to initiate the transition process during the summer and this reportedly eased their transition. Margaret Harrington of Victory Schools, Inc. recalled that communication was critical during the transition. She noted: “I went down with other Victory staff and met extensively with principals, one-on-one and as a group. We were on the ground meeting people, showing respect for the local participants in the fall before it hit in December and January. We were making connections and received a positive response from the grassroots. We had a sense that the grassroots wanted it but didn't know how to get in. We hired a Philadelphia resident as our [vice president] for development, someone to keep us in the loop.”

***“I went down with other Victory staff and met extensively with principals, one-on-one and as a group. We were on the ground meeting people, showing respect for the local participants in the fall before it hit in December and January.”***

***– Margaret Harrington,  
Victory Schools, Inc.***

Margaret Briggs-Kenney of Foundations, Inc. recalled that their transition process entailed engaging the local community by hiring personnel with roots in the community and hosting multiple meetings during the summer. The purpose of the meetings was to share Foundation's goals and expectations with teachers, students and parents. In addition, Foundations established a home and school association that engages parents across all Foundations-operated schools. The association shares information between schools and provides parents with formal channels to give feedback to Foundations. While the broader community had many questions regarding Foundations' plans for the schools, Kenney noted that Foundations experienced “minimal resistance” during the transition process into their schools.



As an established EMO, Edison Schools has specific procedures it uses to transition all new schools it manages. The process entails starting with a boilerplate transition plan, which is then individualized for each new school. Edison personnel described their transition process as “very intentional” in that it consists of dozens of incremental steps that, when implemented in aggregate, prepare the school personnel and Edison to transition the school from district to Edison management. Nevertheless, some of Edison’s decisions hindered the transition process. When Edison assumed responsibilities for its 20 schools, it released all non-teaching assistants working in the schools. This decision had immediate local consequences in that releasing the non-teaching assistants cut a reportedly important connection to the local community, thereby fueling lingering objections to Edison. While the change in staff aligns with Edison’s goal of substantively changing failing schools and targeting resources, Edison’s decision to immediately release all non-teaching assistants was repeatedly cited, also including Richard Barth of Edison Schools, as counterproductive.

Temple University elected to dedicate the first year of the partnership to planning, and it did not officially take over operation of its schools until fall 2003. The university was paid \$450 per student during the planning year. According to John DiPaolo, executive director of the Temple partnership schools, the first year was dedicated to getting to know people, building the leadership teams and developing the literacy program for the schools. DiPaolo noted that in contrast to the established EMOs, “if you are an institution like a university, you have to have the time to figure out what you are going to do.” In hindsight, other EMO personnel noted the transition process might have been easier if they had the benefit of a planning year.

Overall, district and EMO representatives all concurred that regardless of individual EMO efforts to manage the transition, the first year of the Partnership School Model was challenging. Key stakeholders attributed the challenges to the short transition process and lack of communication between the district, the EMOs, school personnel and the broader school community. The controversy surrounding the Partnership School Model – and specifically the political history associated with Edison’s arrival in the district – also reportedly hindered the transition process. Margaret Harrington of Victory schools characterized the first year as “lots of polite pushing back and forth about issues.” Central office personnel, school principals, teachers and EMO representatives reportedly struggled to understand their roles and responsibilities at the school level and within the larger district structure.

An aspect of the Partnership School Model that observers described as helpful during the transition process was CEO Vallas’ public commitment to the model and the allocation of central office resources to manage the model. During the first year, the district’s office of development dedicated a significant amount of time both to ensuring the model was not undermined and to “soothing anger and smoothing feathers” ruffled by the introduction of EMOs to Philadelphia. In hindsight, EMO personnel noted the transition from district to EMO management was particularly difficult due to inadequate public relations regarding the nature of the management contracts and specifically the notion of “thin management.”

In response to ongoing challenges, in year two of the Partnership School Model, the district dedicated staff time to communicating details regarding the EMO contracts with key central office staff in an effort to address confusion regarding roles and responsibilities. Multiple EMO executives reported that in-person meetings with district personnel were very helpful in that the meetings “got everyone on the same page.”

## ***Lessons Learned***

- Communication among key constituents can ease transition and diffuse distrust in communities engaged in privatization of failing schools.
- The transition process takes time, planning and a laser-sharp focus on multiple details. Building in adequate planning time may alleviate some transition problems.
- The amount of time required to transition will depend upon individual circumstances. 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 unique character of the school and its broader community.

## Managing Education Management Contracts

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 EMOs are required to provide a principal contact within their organization who is responsible for being a liaison with the district and an ombudsman to facilitate dispute resolution.

According to the director of the office, Ellen Savitz, the district's position was it was her office's responsibility to provide the EMOs with an entry point to the district and ensure the companies were able to implement their models within the broader district structure. District and EMO representatives noted there was intentional and unintentional resistance to the Partnership School Model and consistent communication eventually tempered a great deal of the resistance. The two central office staff members responsible for managing the partnership model are experienced district administrators who are perceived to have credibility in the district. District and EMO personnel noted the fact that the district employees dedicated to managing the Partnership School Model are "district insiders" is an asset when navigating district bureaucracy. Characterized by Richard Barth of Edison Schools as a "functional infrastructure," the office of development was repeatedly cited as central to the district effectively managing the EMO contracts.

In Philadelphia, the district, which is divided by geographic region and schools within each region, reports to a regional superintendent. In addition to the office of development, the partnership schools work closely with the regional superintendents for a variety of operational and programmatic issues (e.g., facility maintenance, special education, transportation, food service). The introduction of the EMOs reportedly raised questions regarding to whom the building-level principals reported and were accountable.

A particular challenge noted during the first year of the contract was communicating enough to keep the EMOs well informed without inundating them with information and requests that were irrelevant given their autonomy over the educational program. Numerous EMO administrators reported that during the first year they spent a significant amount of time discerning what was and was not mandatory. Principals reportedly struggled to understand whom they reported to and the operational definition of "thin management." The key stakeholders at the center of the confusion were building principals, regional superintendents, central office personnel and EMO administrators responsible for their cohort of schools. Based on an extensive case study of the Partnership School Model, Research for Action, a Philadelphia-based organization, described the challenges expressed by the principals during the first year as "serving two masters" in that they were trying to "juggle responsibilities to their provider and to the district."<sup>29</sup>

SRC Chairman James Nevels noted that communication is critical to managing external contracts: "We learned that a process of continuing communication with the managers is essential. Each manager selected a primary source of contact and we learned the importance of communicating consistently and understanding the unique challenges faced by each manager." Monthly meetings, direct e-mails and various district listservs emerged as the primary means of communication between central office personnel, school principals and EMO staff.

In spring 2005, the district announced that rather than having the EMOs report to regional superintendents and the office of development, all EMOs would report directly to a centralized EMO region. The purpose of creating the EMO region is to streamline and improve communication between the district and the growing cohort of EMO contracts. In the words of Ellen Savitz of the office of development, the district is striving to ensure the EMOs and the schools they operate are "part of the fabric" of the district as opposed to outside the district. Being part of the district ensures children enrolled in EMO schools can benefit from multiple reform initiatives as opposed to only those offered by the EMOs. The new EMO region was created in spring 2005, and it is projected to be fully functioning by fall 2005.

### Lessons Learned

- 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.

## Implementing Accountability

Multiple forms of accountability are operating in the School District of Philadelphia. Relevant to this brief is individual EMO accountability and districtwide accountability for the Partnership School Model. The manner in which Philadelphia has structured these two distinct yet related accountability mechanisms is described below.

### EMO Accountability

A central tenet of the theory underlying school privatization is accountability for outcomes. With the exception of the agreements with the universities, each agreement contains an accountability plan that includes quantitative and qualitative indicators and specific performance goals. At the time the agreements were negotiated, NCLB had passed but little was known about how it would be implemented. In practice, NCLB's requirements related to adequate yearly progress (AYP) are the backbone of accountability between the education service providers and the district.

The section on student achievement indicators opens with a blanket statement regarding the fact that “[t]he ultimate success of partnership schools will be measured by improvement on standardized achievement test measures.” In addition to test scores, the accountability plan lists the following quantitative indicators that will be examined: student enrollment patterns; student and staff attendance; promotion and graduation rates; disciplinary actions, including suspensions and expulsions; staff retention/teacher turnover; and financial reporting requirements. The plan also identifies two qualitative indicators by which the partnerships schools will be evaluated: community outreach and involvement, and other indicators of progress such as measures of implementation of educational program and quality of staff development. With the exception of the loss of compensation associated with canceling a contract, the plan does not articulate any connection between student or school performance and company compensation.

The contracts contain the following quantifiable accountability goals:

1. Partnership schools will reduce the percentage of students in the below basic performance category on the Pennsylvania System of School Assessment (PSSA) by 10% over a two-year cycle.
2. School performance will continue to be measured by the District Performance Index (DPI). The DPI incorporates multiple quantifiable performance indicators, including test scores, promotion and graduation rates, and student as well as staff attendance.
3. Schools will make AYP.

Additional qualitative accountability measures are secondary to the test score data and are to be measured in an annual review of implementation. The stated purpose of the annual review is to discern the degree to which each of the external providers is actually implementing their model. Interviews with district staff confirmed that district personnel have conducted informal implementation reviews, but they are considered internal documents that are not released publicly but rather presented to the SRC.

In practice, the district is only holding the EMO partners accountable for meeting AYP goals, not for all the objectives articulated in the accountability plan. Failure to meet the AYP goals will reportedly be the primary criterion used to determine whether contracts are terminated or renewed. Conversations with district staff, however, revealed they are taking a relatively long view and giving the EMOs a chance to implement their model prior to holding them fully accountable for meeting AYP. Ellen Savitz of the office of development explained: “In five years, we hope to look at all the schools. We have to hold the EMOs to some level of accountability. If not substantially better, what bang have we gotten for our buck?”

A challenge related to accountability is discerning against what to compare the performance of students in the Partnership Schools. After two years, the 21 district-restructured schools that had been informally identified as a control group were folded

### School District of Philadelphia Accountability Plan

*“The ultimate success of partnership schools will be measured by improvement on standardized achievement test measures. Other quantitative indicators to be examined include:*

- *Student enrollment patterns;*
- *Student and staff attendance;*
- *Promotion and graduation rates;*
- *Disciplinary actions, including suspensions and expulsions;*
- *Staff retention/teacher turnover; and*
- *Financial reporting requirements.*

*Qualitative factors to be considered include:*

- *Community outreach and involvement; and*
- *Qualitative indicators of progress such as measures of implementation of educational program and quality of staff development.”*

back into the district structure and their funding was reduced – reportedly in part due to the gains demonstrated after two years. The dissolution of even an imperfect control group limits comparisons to measuring gains longitudinally for cohorts of schools managed by the EMOs. This approach raises methodological challenges stemming from student mobility but nevertheless presents some opportunities to track individual student and school-level gains over time.

While the contracts articulate a somewhat vague accountability plan or no plan at all – and no connection to compensation – EMO representatives reported they feel accountable to the district and the communities they are serving. One EMO employee described accountability in the following manner: “I feel accountable to the district. On a day-to-day basis we are being driven by the notion of academic progress .... With our parents, we are accountable in that we want to make sure the students achieve. We have internal motivation; we are motivated by our own accountability, our sense of family and sense of giveback.” Representatives of the other not-for-profit EMOs expressed similar sentiments that their commitment to the local community and their reputation as a member of the broader community is an omnipresent source of accountability.

***“I feel accountable to the district. On a day-to-day basis we are being driven by the notion of academic progress .... With our parents, we are accountable in that we want to make sure the students achieve. We have internal motivation; we are motivated by our own accountability, our sense of family and sense of giveback.”***  
– EMO representative

Notwithstanding the purported commitment to providing the EMOs a window to implement their school management models, the district terminated its contract with Chancellor Beacon Academies (CBA) after a single year. The SRC cancelled the contract using a clause that permitted the district to terminate the contract “out of convenience” with 60 days notice. The convenience clause in the contract does not require the SRC to justify or document its reasons for canceling any of the EMO contracts. The CBA-managed schools reverted to district management under the office of restructured schools in fall 2003. CBA’s canceled contract is evidence of the district’s power as a consumer and its willingness to cancel a contract if it is unsatisfied with performance in the short or long term.

The convenience clause is a strong tool for CEO Vallas and the SRC but potentially problematic for EMOs who may be apprehensive to invest the technology, training and staff required to fully implement their model given they can be dismissed without cause. The challenge is to provide the district with the tools to dismiss contractors who do not fulfill their responsibilities while simultaneously providing the EMOs with a contract that enables them to commit resources associated with implementing their model. An EMO representative speculated that convenience clauses that grant a district ostensibly a blank slate to cancel a contract without cause may hinder an EMO’s start-up investment in a school.

## ***District Accountability***

The legislation that authorized the state to take over the School District of Philadelphia called for the creation of an independent assessment and reporting center responsible for evaluating the district’s progress toward meeting its reform agenda.<sup>30</sup> The Accountability Review Commission (ARC) is required to write an annual report that presents and analyzes data related to district progress. Progress is to be determined based on district performance relative to state performance and test-score improvement over time. In a district press release, the mayor’s secretary of education described the critical role of the ARC in the following manner: “The operation of an independent assessment and reporting center is a key component of the state-city school reform partnership agreement.... Citizens need to know what’s working in public education and understand why.”<sup>31</sup>

The council comprises seven members and two professionals who serve as the executive director and assessment consultant. The executive director serves as the liaison between the SRC and the ARC and manages the council’s activities. The SRC appoints ARC members based on recommendations from the CEO in consultation with city and state officials. Members are paid an honorarium and reimbursed for travel expenses. In 2003-04, the district funded ARC with \$100,000 but members reportedly plan to seek external funding to enable the council to operate independently from the district.<sup>32</sup>

The ARC is charged with producing annual district and school report cards. In the ARC’s first annual report, the council documented that in 2003-04, 23 of the 45 EMO partnership schools met AYP goals. In its recommendations related to the EMO Partnership Schools, the ARC cautioned that given the “multiple strands of reform” district leadership should monitor “coherence of its school improvement efforts” and communicate information regarding progress to parents and the broader community.

ARC Chairman James Lyons stressed the value of maintaining an external body to review district progress but emphasized the critical importance of that entity having an unambiguous objective. Lyons noted that the purpose of the ARC as outlined in the law is to conduct an “ongoing review and assessment of the manner in which the district gathers and analyzes data.” Lyons explained that given the political environment in which education reform is occurring in Philadelphia, the council is under pressure by some to limit, and others to expand, its mission. The ARC is reportedly wrestling to determine what exactly is an “ongoing review and assessment.” While the ARC is charged with reviewing and assessing districtwide reform, it does not have authority related to policymaking. The ARC reports to the SRC.

## **Lessons Learned**

- 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 and the broader community. The external entity, however, must have an explicit mission and adequate resources to fulfill the mission.

## **Documenting Outcomes**

The two primary standardized assessments administered in Philadelphia are the Pennsylvania System of School Assessment (PSSA) and the TerraNova. The PSSA is the state-mandated test administered to students in 3rd, 5th, 8th and 11th grades. In fall 2002, the district introduced the TerraNova as a compliment to the PSSA. The test is administered to students in grades 3-10.

Comparing the academic outcomes of students in district versus privately managed schools raises substantial methodological challenges associated with the value-added over time and simple statistical issues associated with significantly different sample sizes (e.g., 82,830 students in district-operated schools compared to 567 students attending schools operated by Universal Companies). In addition, with the exception of a single high school operated by Foundations, EMOs only operate elementary and middle schools whereas the district operates schools enrolling all grade levels. Plus, the aggregate TerraNova proficiency levels incorporate different grade levels depending on the managers. With these limitations in mind, the aggregate student-outcome data provide preliminary information about the performance of clusters of schools operated by different types of managers (i.e., traditional district, district restructured and EMO operated) by academic-content area.

### ***Pennsylvania System of School Assessment***

The PSSA is the assessment used by the state to assess progress toward meeting Adequate Yearly Progress (AYP) goals.<sup>33</sup> Since 2001, the Philadelphia School District has posted positive student performance gains. For the 2002-03 academic year, 47 of 201 (23%) district-managed schools, 4 of 19 (21%) district-restructured schools and 7 of 45 (16%) EMO/university-managed schools met AYP.

In 2003-04, the district increased the number of schools achieving AYP from 58 to 160 out of a total of 265 schools. According to management type, 127 of 201 (61%) district-managed schools, 10 of 19 (53%) district-restructured schools and 23 of 45 (51%) EMO/university-managed schools met AYP.

These increases were due in part to adjustments made in how the state determines AYP. Under the initial AYP determination system, the jump was from 58 to 130 schools, as opposed to 160 under the new system.<sup>34</sup> Overall, student outcomes as measured by the PSSA are improving districtwide. The EMO schools, however, have posted slightly more progress (16% to 51%) toward meeting AYP than schools restructured by the district (21% to 53%) but slightly less progress than traditional schools managed by the district (23% to 61%).

Tables 3 and 4 present outcome data from the 2002, 2003 and 2004 PSSA reading and mathematics assessments. The 2002 data represent pre-Partnership School Model academic outcomes in the schools that transitioned to EMO management in fall 2002 or thereafter. The columns on the far right present the change from 2002 to 2004. When broken down according to type of manager, the EMO schools generally posted smaller gains than the district-managed or district-restructured schools.

**Table 3: 2002-04 Pennsylvania System of School Assessment (PSSA) Reading Outcomes**

		Spring 2002 PSSA Reading			Spring 2003 PSSA Reading			Spring 2004 PSSA Reading			Change 2002-2004		
		Grade			Grade			Grade			Grade		
		5	8	Combined	5	8	Combined	5	8	Combined	5	8	Combined
		%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient
District Managed		24.7%	29.7%	27.0%	28.8%	38.9%	33.5%	37.6%	49.7%	43.2%	12.90%	20.0%	16.20%
Restructured		12.4%	11.4%	11.9%	19.7%	20.5%	20.0%	28.0%	28.0%	28.0%	15.64%	16.6%	16.14%
Edison		8.5%	12.3%	10.5%	8.4%	11.6%	10.1%	13.0%	27.4%	20.7%	4.45%	15.1%	10.20%
Foundations		12.9%	14.1%	13.5%	18.6%	16.3%	17.5%	21.1%	17.8%	19.4%	8.19%	3.7%	5.90%
Penn		15.1%	7.9%	13.1%	13.9%	19.8%	15.6%	20.9%	25.5%	22.3%	5.81%	17.6%	9.23%
Temple		7.7%	11.7%	9.8%	9.4%	10.7%	10.0%	12.5%	19.2%	15.7%	4.80%	7.5%	5.89%
Universal		5.7%	10.4%	8.6%	2.8%	11.5%	7.7%	13.0%	31.6%	25.0%	7.34%	21.2%	16.35%
Victory		10.9%	10.7%	10.8%	10.8%	18.6%	14.6%	19.4%	27.4%	24.0%	8.50%	16.7%	13.21%
Charter		22.5%	27.3%	24.8%	27.4%	39.3%	32.6%	30.6%	41.4%	35.4%	8.10%	14.1%	10.60%

Source: Office of Accountability, Assessment and Intervention, School District of Philadelphia. 2002-2004 PSSA Results by EMO Classification. 2005.

**Table 4: 2002-04 Pennsylvania System of School Assessment (PSSA) Mathematics Outcomes**

		Spring 2002 PSSA Math			Spring 2003 PSSA Math			Spring 2004 PSSA Math			Change 2002-2004		
		Grade			Grade			Grade			Grade		
		5	8	Combined	5	8	Combined	5	8	Combined	5	8	Combined
		%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient	%Advanced/ Proficient
District Managed		23.2%	23.2%	23.2%	29.1%	26.9%	28.1%	37.5%	39.1%	38.2%	14.30%	15.90%	15.00%
Restructured		9.6%	3.5%	6.7%	18.3%	10.8%	15.1%	22.3%	15.0%	19.2%	12.67%	11.45%	12.48%
Edison		5.1%	7.3%	6.3%	7.0%	6.7%	6.9%	13.0%	19.7%	16.6%	7.86%	12.44%	10.30%
Foundations		11.7%	5.6%	8.7%	20.8%	5.3%	13.4%	19.5%	10.8%	15.1%	7.85%	5.16%	6.40%
Penn		11.9%	3.3%	9.5%	19.1%	6.3%	15.4%	14.5%	10.3%	13.2%	2.65%	7.01%	3.75%
Temple		7.7%	2.6%	5.1%	9.1%	2.9%	6.1%	11.8%	7.5%	9.8%	4.07%	4.91%	4.66%
Universal		4.0%	12.6%	9.2%	5.3%	5.7%	5.5%	12.6%	16.8%	15.3%	8.64%	4.17%	6.09%
Victory		7.4%	3.9%	5.5%	8.3%	5.9%	7.1%	15.2%	17.8%	16.7%	7.79%	13.90%	11.18%
Charter		15.9%	18.1%	17.0%	21.9%	22.4%	21.4%	29.0%	23.3%	26.0%	13.10%	5.20%	9.00%

Source: Office of Accountability, Assessment and Intervention, School District of Philadelphia. 2002-2004 PSSA Results by EMO Classification. 2005.  
 Universal schools posted the greatest gains in reading (16.35%) although district-managed and district-restructured schools reported nearly equivalent gains (16.20% and 16.14%, respectively). Of the other EMOs, Victory schools experienced the next largest gain (13.21%) whereas Foundations and Temple reported the smallest (5.90% and 5.89%, respectively).

District-managed schools recorded the greatest gains on the PSSA mathematics assessment (15%) and the restructured schools reported the second largest gain (12.48%). Of the EMOs, Victory schools posted the greatest gain (11.18%) with the Edison schools a relatively close second (10.30%). In mathematics, the University of Pennsylvania schools demonstrated the smallest gains (3.75%).

## **TerraNova**

The TerraNova is generally administered in the spring, but the district administered the test in fall 2002 to establish a performance baseline against which future test results in partnership schools, restructured schools and traditional district schools could be compared. In testimony to the Philadelphia City Council, CEO Vallas described the TerraNova as “a more reliable test in terms of alignment with state standards and its similarities to the PSSA.”<sup>35</sup> An added factor that was reportedly appealing to the district was the fact the TerraNova scores are reported quickly and in a user-friendly format, which makes them accessible to school personnel.

On the reading assessment (see Table 5), the district-managed schools increased the number of students attaining proficiency by 4.7 percentage points whereas the EMO/university-operated schools increased it by a total of 2 percentage points. Universal Companies recorded the greatest gains in the EMO/university category with a fall 2002 to spring 2004 gain of 4.8 percentage points.

On the language arts assessment (see Table 6), the district-managed schools increased the number of students attaining proficiency by 10.5 percentage points whereas the EMO/university-operated schools increased by a total of 5 percentage points. University of Pennsylvania recorded the greatest gains in the EMO/university category with a fall 2002 to spring 2004 gain of 9.4 percentage points.



**Table 5: TerraNova Results by Management Type from Fall 2002 for Grades 3-10 and Spring 2003 and Spring 2004 for Grades 1-10: Reading Percentage of Students At or Above the National Average**

Reading								
	Fall 02		Spring 03		Spring 04		Change	Change
	Total	% At/Abv	Total	% At/Abv	Total	% At/Abv	Sp 03-04	F 02-Sp 04
<b>District Managed</b>	95,118	35.5%	119,065	37.8%	108,081	40.2%	<b>2.4%</b>	<b>4.7%</b>
District	82,830	37.2%	102,401	39.4%	93,568	42.1%	<b>2.7%</b>	<b>5.0%</b>
Extra Funds	4,418	27.3%	6,326	29.1%	5,687	30.2%	<b>1.1%</b>	<b>2.9%</b>
Restructured	7,870	23.1%	10,338	26.8%	8,826	26.9%	<b>0.1%</b>	<b>3.8%</b>
<b>EMOs/Universities</b>	19,252	19.0%	23,933	19.9%	21,758	21.1%	<b>1.2%</b>	<b>2.0%</b>
Edison	9,202	17.6%	10,947	17.8%	10,116	19.2%	<b>1.4%</b>	<b>1.6%</b>
Foundations	2,054	21.0%	2,609	23.2%	2,390	23.6%	<b>0.4%</b>	<b>2.6%</b>
Penn	922	23.6%	1,344	25.2%	1,294	26.0%	<b>0.8%</b>	<b>2.4%</b>
Temple	1,390	20.6%	1,742	19.2%	1,399	20.4%	<b>1.2%</b>	<b>-0.2%</b>
Universal	567	18.0%	581	22.2%	501	22.8%	<b>0.6%</b>	<b>4.8%</b>
Victory	2,281	20.3%	2,855	22.3%	2,552	24.5%	<b>2.2%</b>	<b>4.2%</b>
<b>Charters</b>	11,595	40.0%	14,628	40.7%	15,917	42.8%	<b>2.1%</b>	<b>2.8%</b>

Source: [http://www.phila.k12.pa.us/offices/communications/press\\_releases/2004/06/09/terranova.html](http://www.phila.k12.pa.us/offices/communications/press_releases/2004/06/09/terranova.html)

**Table 6: TerraNova Results by Management Type from Fall 2002 for Grades 3-10 and Spring 2003 and Spring 2004 for Grades 1-10 Language: Percentage of Students At or Above the National Average**

Language								
	Fall 02		Spring 03		Spring 04		Change	Change
	Total	% At/Abv	Total	% At/Abv	Total	% At/Abv	Sp 03-04	F 02-Sp 04
<b>District Managed</b>	95,118	30.7%	119,065	38.5%	108,066	41.2%	<b>2.7%</b>	<b>10.5%</b>
District	82,830	32.2%	102,401	40.1%	93,555	43.1%	<b>3.0%</b>	<b>10.9%</b>
Extra Funds	4,418	22.7%	6,326	31.3%	5,687	32.4%	<b>1.1%</b>	<b>9.7%</b>
Restructured	7,870	19.7%	10,338	27.4%	8,824	26.6%	<b>-0.8%</b>	<b>6.9%</b>
<b>EMOs/Universities</b>	19,252	16.6%	23,933	19.8%	21,752	21.6%	<b>1.8%</b>	<b>5.0%</b>
Edison	9,202	15.8%	10,947	17.7%	10,113	19.3%	<b>1.6%</b>	<b>3.5%</b>
Foundations	2,054	18.9%	2,609	22.7%	2,389	24.5%	<b>1.8%</b>	<b>5.6%</b>
Penn	922	19.4%	1,344	26.3%	1,294	27.8%	<b>1.5%</b>	<b>8.4%</b>
Temple	1,390	18.4%	1,742	19.3%	1,398	24.0%	<b>4.7%</b>	<b>5.7%</b>
Universal	567	15.5%	581	19.6%	501	23.6%	<b>4.0%</b>	<b>8.1%</b>
Victory	2,281	16.7%	2,855	23.5%	2,552	24.3%	<b>0.8%</b>	<b>7.6%</b>
<b>Charters</b>	11,595	35.4%	14,628	41.5%	15,917	45.9%	<b>4.4%</b>	<b>10.5%</b>

Source: [http://www.phila.k12.pa.us/offices/communications/press\\_releases/2004/06/09/terranova.html](http://www.phila.k12.pa.us/offices/communications/press_releases/2004/06/09/terranova.html)

On the mathematics assessment (see Table 7), the district-managed schools increased the number of students attaining proficiency by 13.7 percentage points whereas the EMO/university-operated schools increased by a total of 8.9 percentage points. Universal Companies recorded the greatest gains in the EMO/university category with a fall 2002 to spring 2004 gain of 10.9 percentage points.

**Table 7: TerraNova Results by Management Type from Fall 2002 for Grades 3-10 and Spring 2003 and Spring 2004 for Grades 2-10 Mathematics: Percentage of Students At or Above the National Average**

<b>Mathematics</b>								
	Fall 02		Spring 03		Spring 04		<b>Change</b>	<b>Change</b>
	Total	% At/Abv	Total	% At/Abv	Total	% At/Abv	<b>Sp 03-04</b>	<b>F 02-Sp 04</b>
<b>District Managed</b>	93,899	29.4%	105,924	38.8%	96,020	43.1%	<b>4.3%</b>	<b>13.7%</b>
District	81,624	31.4%	91,427	40.6%	83,603	45.2%	<b>4.6%</b>	<b>13.8%</b>
Extra Funds	4,419	19.5%	5,385	30.7%	4,808	34.1%	<b>3.4%</b>	<b>14.6%</b>
Restructured	7,856	13.9%	9,112	25.8%	7,609	25.2%	<b>-0.6%</b>	<b>11.3%</b>
<b>EMOs/Universities</b>	19,127	12.9%	21,738	19.5%	19,751	21.8%	<b>2.3%</b>	<b>8.9%</b>
Edison	9,073	12.8%	10,105	18.5%	9,382	21.9%	<b>3.4%</b>	<b>9.1%</b>
Foundations	2,064	13.8%	2,334	22.8%	2,123	22.8%	<b>0.0%</b>	<b>9.0%</b>
Penn	926	17.9%	1,141	21.9%	1,067	26.1%	<b>4.2%</b>	<b>8.2%</b>
Temple	1,374	14.1%	1,546	19.4%	1,245	20.2%	<b>0.8%</b>	<b>6.1%</b>
Universal	561	9.6%	555	14.8%	483	20.5%	<b>5.7%</b>	<b>10.9%</b>
Victory	2,254	11.9%	2,614	20.5%	2,328	21.1%	<b>0.6%</b>	<b>9.2%</b>
<b>Charters</b>	11,549	28.2%	13,107	34.3%	14,430	37.4%	<b>3.1%</b>	<b>9.2%</b>

Source: [http://www.phila.k12.pa.us/offices/communications/press\\_releases/2004/06/09/terranova.html](http://www.phila.k12.pa.us/offices/communications/press_releases/2004/06/09/terranova.html)

On the science assessment (see Table 8), the district-managed schools increased the number of students attaining proficiency by 8.5 percentage points whereas the EMO/university-operated schools increased by a total of 3.5 percentage points. Victory recorded the greatest gains in the EMO/university category with a fall 2002 to spring 2004 gain of 5.2 percentage points.

**Table 8: TerraNova Results by Management Type from Fall 2002 for Grades 3-10  
and Spring 2003 and Spring 2004 for Grades 2-10:  
Percentage of Students At or Above the National Average**

<b>Science</b>								
	Fall 02		Spring 03		Spring 04		<b>Change</b>	<b>Change</b>
	Total	% At/Abv	Total	% At/Abv	Total	% At/Abv	<b>Sp 03-04</b>	<b>F 02-Sp 04</b>
<b>District Managed</b>	93,365	21.5%	103,483	29.2%	94,336	29.6%	<b>0.4%</b>	<b>8.1%</b>
District	81,223	23.1%	89,193	31.0%	82,021	31.7%	<b>0.7%</b>	<b>8.6%</b>
Extra Funds	4,385	12.9%	5,358	21.7%	4,832	18.5%	<b>-3.2%</b>	<b>5.6%</b>
Restructured	7,757	9.5%	8,932	15.6%	7,483	13.6%	<b>-2.0%</b>	<b>4.1%</b>
<b>EMOs/Universities</b>	18,640	8.3%	20,929	12.7%	19,207	11.7%	<b>-1.0%</b>	<b>3.5%</b>
Edison	8,815	7.7%	9,596	10.7%	8,986	10.6%	<b>-0.1%</b>	<b>2.9%</b>
Foundations	2,025	9.0%	2,320	15.7%	2,097	13.5%	<b>-2.2%</b>	<b>4.5%</b>
Penn	895	12.4%	1,122	16.0%	1,059	13.6%	<b>-2.4%</b>	<b>1.2%</b>
Temple	1,348	7.1%	1,536	11.4%	1,236	11.4%	<b>0.0%</b>	<b>4.3%</b>
Universal	554	6.9%	544	12.9%	479	11.7%	<b>-1.2%</b>	<b>4.8%</b>
Victory	2,207	8.7%	2,582	16.0%	2,322	13.8%	<b>-2.2%</b>	<b>5.2%</b>
<b>Charters</b>	11,437	22.8%	12,988	28.5%	14,338	29.5%	<b>1.0%</b>	<b>6.7%</b>

Source: [http://www.phila.k12.pa.us/offices/communications/press\\_releases/2004/06/09/terranova.html](http://www.phila.k12.pa.us/offices/communications/press_releases/2004/06/09/terranova.html)

In aggregate, the TerraNova results document that public schools in Philadelphia are making academic gains. The gains are generally greater in mathematics and language arts than reading and science. In aggregate, traditional district-operated as well as the district-restructured schools are gaining at a greater rate than the cohort of EMO schools and the charter schools. Among the EMO-operated schools, however, the Universal and Victory schools are posting the most consistent gains and, with the exception of mathematics, posting greater gains than the restructured schools.

### **Lessons Learned**

- In aggregate, 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 PSSA 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.
- Developing a transparent and credible mechanism to objectively measure the value-added of private management is critical to assessing the impact of private managers.
- Establishing a control group of schools can provide rich data that can help a district assess the value-added of external providers.

## RECURRING THEMES

Up to this point, the lessons cultivated from Philadelphia's experience with the Partnership School Model have been presented according to each phase of the model. In addition to these discrete lessons, the case study of Philadelphia revealed recurring themes, which should be useful for states and districts contemplating the implementation of a similar hybrid model. This section presents those recurring themes.

### 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 key stakeholders have a formal opportunity to provide input. This transparency infuses integrity into the process and may potentially 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 the district can explicitly articulate what they want to purchase and what means they will use to hold the provider accountable.

An explicit goal of the planning phase should be to effectively articulate the goals of hiring private managers and the means by which the providers will be held accountable in the short and long term. 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 is 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.

# **APPENDIX A: SCHOOL DISTRICT OF PHILADELPHIA CALL FOR PROPOSALS OUTLINE<sup>36</sup>**

## **A. Past and Present Engagements**

- List of schools (i.e., location, type, grade configurations)
- Student performance data at each school operated by provider
- Student enrollment data indicating growth at each school
- Data on retention of qualified staff over time
- Information related to parent, student, teacher, community and district partners' satisfaction
- List of contracts terminated and/or modified and reason for termination or modification

## **B. Prospective Performance in Managing School District Partnership Schools**

- Maximum number of schools provider seeks to operate in district and related geographic preferences
- Academic and nonacademic goals for proposed schools
- Process for informing stakeholders of progress toward goals – not less than quarterly
- Clearly defined pedagogy, staff development and curriculum design
- Plan to align curriculum with other district schools
- Explanation of learning opportunities for all students, including students with disabilities and students with limited English proficiency
- Degree to which the firm's school safety policies and procedures would comply with the district's safety plan
- Process for implementation and supervision of the educational program
- Alignment of state standards with curriculum and assessment
- Anticipated extracurricular activities
- Plan to evaluate student performance, including an overview of the assessments to be used
- Plan for tracking student data
- Indicators and information to be reported to parents regarding the individual progress of their students
- Plan for using student evaluations to improve student achievement and attain the state academic objectives
- Strategies to address the needs of students who do not perform at grade level

## **C. Finance and Budget**

- If possible, three year financial forecasts for firm and assumptions on which they are based
- Planned investments by the firm in each school for technology, site improvements, textbooks, etc.
- Financial investments or expenditures that are anticipated to be required of the school district for technology, site improvements, textbooks, etc.
- Prospective organization chart for your firm's district operation that will be in place if the firm is asked to operate one school, one to five schools, five to 10 schools, or if applicable, 10 or more schools.
- Management fees and means of revenue generation for your firm; a breakdown of management fee, distinguishing operations from intellectual property such as curriculum should be provided

## **D. Community Engagement**

- Proposed nature of family involvement in planning and decisionmaking strategies for engaging families as volunteers and stakeholders
- Proposed nature of community involvement in planning and decisionmaking and strategies for engaging the community as volunteers and stakeholders

## **E. Recruiting and Marketing Plan**

- Students
- Teachers
- Principals

## ENDNOTES

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

<sup>2</sup> The contracting model initiated in Philadelphia does not have an official title but schools managed by education management organizations are referred to as "Partnership Schools" and therefore, for the purposes of this brief, I refer to the model as the Partnership School Model.

<sup>3</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>4</sup> The term "education management organization" (EMO) typically refers to for-profit entities that provide comprehensive school management services. In Philadelphia, the term has a broader meaning and represents any entity, including non-profit organizations, that provides a range of management services to a public school.

<sup>5</sup> A more thorough review of the legislative mandates that drove Philadelphia school restructuring, a history of the political climate that shaped decisions related to privatization and a more nuanced analysis of outcome data are available from the following sources:

Accountability Review Council (2005, March). Report to the School Reform Commission: The status of academic performance in the School District of Philadelphia for the 2003-2004 school year. Philadelphia, PA: Author. Retrieved March 25, 2005, from [http://www.phila.k12.pa.us/offices/aa/ARC\\_FinalDraft.pdf](http://www.phila.k12.pa.us/offices/aa/ARC_FinalDraft.pdf).

Bulkley, K., L. Mundell and M. Riffer (2004, May). *Contracting out schools: The first year of the Philadelphia diverse provider model*. Philadelphia, PA: Research for Action.

Gewertz, C. (2002). "It's official: State takes over Philadelphia school." *Education Week* 21(16): 1, 14-15.

Philadelphia School District, Office of Accountability (2005). 2003-2004 PSSA Results by 2004 EMO Classification. Retrieved May 1, 2005, from <http://www.phila.k12.pa.us/offices/accountability/emocharts.htm>.

Research for Action (2004). Adequate yearly progress: *Where Philadelphia public schools stand*. Philadelphia, PA: Author. Retrieved on May 1, 2005, from <http://www.researchforaction.org/PSR/PublishedWorks/AYPPPhilaSchools04.pdf>.

<sup>6</sup> Rhim, L.M. (2004). *Restructuring schools in Baltimore: An analysis of state and district efforts*. Available online at <http://www.ecs.org/html/Document.asp?chouseid=5325>; Rhim, L.M. (2005). *Restructuring schools in Chester Upland School District: An analysis of state efforts*. Case study available at <http://www.ecs.org/clearinghouse/57/85/5785.doc> and policy study at <http://www.ecs.org/clearinghouse/57/93/5793.pdf>.

<sup>7</sup> Pennsylvania Department of Education (PDE) (2004). Retrieved October 20, 2004, from <http://www.pde.state.pa.us/k12statistics/lib/k12statistics/03-04ppnpenrolltbl2.pdf>.

<sup>8</sup> Education Empowerment Act, 24. P. S. § -6-696.

<sup>9</sup> Retrieved May 1, 2005, from <http://www.phila.k12.pa.us/aboutus/>.

<sup>10</sup> Gewertz, C.

<sup>11</sup> Christman, J.B. and A. Rhodes (2002). *Civic engagement and urban school improvement: Hard to learn lessons from Philadelphia*. Philadelphia, PA: Consortium of Policy Research in Education.

<sup>12</sup> Gewertz, C.

<sup>13</sup> School District of Philadelphia (2002, March 15). *SRC identifies \$25 million in annual savings through planned reduction in headquarters workforce*. Retrieved March 15, 2005, from [http://www.phila.k12.pa.us/src/press\\_releases/wf\\_reduction\\_031502.pdf](http://www.phila.k12.pa.us/src/press_releases/wf_reduction_031502.pdf).

<sup>14</sup> Retrieved May 1, 2005, from [http://www.pde.state.pa.us/child\\_acct/lib/child\\_acct/Charter\\_Schools\\_2001-02.pdf](http://www.pde.state.pa.us/child_acct/lib/child_acct/Charter_Schools_2001-02.pdf).

<sup>15</sup> Retrieved September 7, 2005, from [http://www.phila.k12.pa.us/charter\\_schools/charter\\_directory.pdf](http://www.phila.k12.pa.us/charter_schools/charter_directory.pdf).

<sup>16</sup> The district initially solicited qualifications for two distinct scopes of work: central office management consulting and school-level service provision. Upon hiring of Paul Vallas in summer 2002 and due to his subsequent urging, in March 2003, the SRC dropped plans to hire a consultant to handle central office functions. Vallas was assigned responsibility of managing the central office under the supervision of the SRC.

<sup>17</sup> School District of Philadelphia (2002). *Request for qualifications education services*. Philadelphia, PA: Author.

<sup>18</sup> School District of Philadelphia (2002, March 21). *School reform commission receives short list of Education Management Organizations*. Press release.

- <sup>19</sup> School District of Philadelphia (2003, August 11). School district of Philadelphia unveils new network of partnerships providing creative educational supports. Retrieved March 25, 2005, from [http://www.phila.k12.pa.us/offices/communications/press\\_releases/2003/081103/partners.html](http://www.phila.k12.pa.us/offices/communications/press_releases/2003/081103/partners.html).
- <sup>20</sup> Gold, Christman, Bulkley and Useem.
- <sup>21</sup> Accountability Review Council.
- <sup>22</sup> Bulkley, Mundell and Riffer.
- <sup>23</sup> Memorandum of Understanding Between the University of Pennsylvania and the Philadelphia School District School Reform Commission. July 31, 2002.
- <sup>24</sup> Educational Services Agreement between The School District of Philadelphia, Pennsylvania and Edison Schools Inc. July 29, 2002.
- <sup>25</sup> The data in the table were drawn from the service provider contracts signed by the four non-university EMOs and verified by staff in the Office of Development, School District of Philadelphia.
- <sup>26</sup> Retrieved May 1, 2005, from [http://www.phila.k12.pa.us/src/press\\_releases/emo\\_contracts.pdf](http://www.phila.k12.pa.us/src/press_releases/emo_contracts.pdf).
- <sup>27</sup> Ibid.
- <sup>28</sup> Ibid.
- <sup>29</sup> Bulkley, Mundell and Riffer.
- <sup>30</sup> Accountability Review Council.
- <sup>31</sup> Ibid., p. 3.
- <sup>32</sup> School District of Philadelphia (2003). *School reform commission announces new accountability council to monitor the district's reform efforts: Council to bring national expertise to Philadelphia*. Retrieved March 31, 2005, from [http://www.phila.k12.pa.us/offices/communications/press\\_releases/2003/101003/accountabilitycouncil.html](http://www.phila.k12.pa.us/offices/communications/press_releases/2003/101003/accountabilitycouncil.html).
- <sup>33</sup> In Pennsylvania, AYP is determined based upon four factors: (1) percentage of students who met test score goals dictated by PDE, (2) percentage of students who took the tests (95% or higher), (3) graduation rates for high schools (80% or higher) and (4) attendance rate (90%) or higher.
- <sup>34</sup> Accountability Review Council (2005, March). For more details regarding student performance in schools operated by the six EMOs, see Research for Action (2004), *Adequate Yearly Progress: Where Philadelphia Public Schools Stand*. Philadelphia, PA: Author. Retrieved on May 1, 2005, from <http://www.researchforaction.org/PSR/PublishedWorks/AYPPHilaSchools04.pdf> and the Philadelphia School District, Office of Accountability (2005), *2003-2004 PSSA Results by 2004 EMO Classification*. Retrieved May 1, 2005, from <http://www.phila.k12.pa.us/offices/accountability/emocharts.htm>.
- <sup>35</sup> Vallas, P. (2003, March). Presentation of the School District of Philadelphia 2003-2004. Remarks by Paul Vallas. Retrieved March 25, 2005, from [www.phila.k12.pa.us/offices/communications/press\\_releases/](http://www.phila.k12.pa.us/offices/communications/press_releases/).
- <sup>36</sup> Retrieved May 1, 2005, from [http://www.phila.k12.pa.us/offices/communications/press\\_releases/2005/04/20/reforms.html](http://www.phila.k12.pa.us/offices/communications/press_releases/2005/04/20/reforms.html).

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