
Considering School Turnarounds: Market Research and Analysis

*Prepared by Mass Insight Education and Research Institute
for NewSchools Venture Fund*

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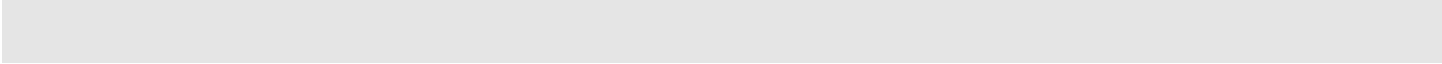


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Executive Summary

Schools in Restructuring: Challenge and Opportunity

- The trend toward standards-based accountability in K-12 education has revealed over time a hard core of thousands of chronically under-performing schools.
- Mass Insight’s research for the Bill & Melinda Gates Foundation documents that traditional methods of school improvement have generally been unsuccessful in turning these schools around.
- As a result, there is increasing interest in using more dramatic approaches to school restructuring, such as granting contracts to school management organizations (SMOs) to run failing schools. SMOs include both nonprofit charter management organizations (CMOs) and for-profit education management organizations (EMOs).

Guide to Acronyms

CMO: charter management organization (nonprofit, usually regional in focus)

EMO: education management organization (for-profit, either national or regional in focus)

SMO: school management organization (assumes management responsibility; includes CMOs and EMOs)

SSO: school support organization (provides assistance to schools without assuming management responsibility)

District-by-District Analysis

In the spring of 2006, NewSchools Venture Fund asked Mass Insight Education to conduct a market analysis of the environment for school restructuring by charter management organizations in six target urban areas: Chicago, the District of Columbia, Los Angeles, New York City, Oakland, and Philadelphia.

Scope of the Challenge: Districts’ Need for Restructuring

- Collectively, the six districts enroll over 2.7 million students, about 75% of whom are low-income.
- Large numbers of schools in these districts are in some form of restructuring. In 2005-06:
 - just over 250 schools were already in restructuring in these districts;
 - over 250 schools were planning for restructuring; and
 - over 600 schools were in “corrective action” or other stages of NCLB identification that precede restructuring. Since only about 15% of schools in various NCLB stages make AYP each year, it is reasonable to project that many of these schools will ultimately be in restructuring.
 - Finally, other schools in these districts were engaged in restructuring outside of the NCLB framework, such as state-initiated restructuring or district-sponsored efforts (e.g. large-high school breakups).



District Environment for School Restructuring via SMOs

- Several factors distinguish these districts from each other as potential markets for school restructuring via SMOs:
 - Interest in using SMOs for restructuring
 - Willingness to grant SMOs sufficient autonomy
 - Stability of leadership supportive of SMO restructuring
 - Financial viability of SMO restructuring

- Using these four factors as indicators, the six markets fall into two broad groups:
 - In Oakland, LA and DC, district uncertainty makes substantial restructuring via SMOs unlikely in the near-term. It is possible that leadership change will generate a more favorable environment, but the current prospect is not favorable.
 - In Chicago, New York, and Philadelphia, there is much greater interest on the part of district leaders in using SMOs for this purpose. Even in these markets, though, constraints on SMO autonomy, caps on charter schools, and potential leadership turnover cloud the prospects for SMO restructuring

- In addition: these districts often turn to a different kind of external partner, school support organizations (SSOs), which provide assistance to schools without actually assuming management responsibility. For a variety of reasons, SSOs are an attractive option for districts, which has had the effect of limiting the appeal of SMO restructuring.

Provider Analysis

The study examined 47 providers in these six markets, primarily SMOs but also some prominent SSOs. Highlights of the research:

- 8 of the providers indicated they had experience turning around failing schools.
- 36 providers indicated their level of interest in engaging in turnaround work. Of these:
 - 4 indicated interest without specific conditions
 - 9 said they were not interested
 - 23 stated interest if districts could meet a set of sometimes stringent conditions related to SMO autonomy
- Providers regarded several kinds of autonomy as essential to successful school turnaround. In descending order of priority, these were:
 - **Staffing:** the authority to hire and fire school leadership and teachers;
 - **Programmatic:** control over grades offered, curriculum and instruction, and school calendar. Of particular importance to many was the ability to phase in the school (e.g. a grade at a time).



- **School choice:** the ability to make the school a school of choice for families
 - **Financial autonomy:** control of the school budget.
-
- Only a minority of experienced turnaround providers want to continue doing this work, because it fits their mission and offers an opportunity for growth. The others cite concerns about restricted authority in restructuring contracts, the difficulties of altering existing school cultures, and the challenging community politics of school takeovers.



I. Introduction

Schools in Restructuring: Challenge and Opportunity

The trend toward standards-based accountability in K-12 education has revealed over time a hard core of chronically under-performing schools – schools where year after year large percentages of students fail to meet the minimum standards set by their states. This set of schools has been brought to the fore in part by the federal No Child Left Behind Act (NCLB), under which schools failing to make Adequate Yearly Progress (AYP) are required to “restructure.” In 2005-06, approximately 600 schools entered restructuring, with another 715 planning for restructuring. About 90% of these schools are in large urban districts.¹ These numbers are likely to grow sharply. According to a Center on Education Policy study, only about 15 percent of schools labeled as needing improvement in 2004-05 exited improvement status in 2005-06.² As the other 85 percent continue to fail to make AYP, the number of schools in restructuring will probably grow dramatically over the next few years.

All of this means that, projecting from current trends, *nearly 2,000 schools will be in restructuring in 2007-08, and more than 3,200 will be in restructuring in 2008-09.*³

While NCLB is one force driving districts to restructure schools, it is not the only one. State and local accountability systems co-exist with NCLB, sometimes identifying additional schools for interventions which may go beyond or differ from what is required under NCLB. In addition, initiatives undertaken by districts independent of accountability are leading to further restructuring efforts. For example, the substantial support provided by the Bill & Melinda Gates Foundation and other donors for breaking up large high schools into smaller academies has launched a wave of restructuring in dozens of districts nationwide. Restructuring has also been sparked by enrollment changes, efforts to reconfigure the way grade levels are grouped in schools, and other trends. Figure 1, below, provides a map of these different drivers of school restructuring.

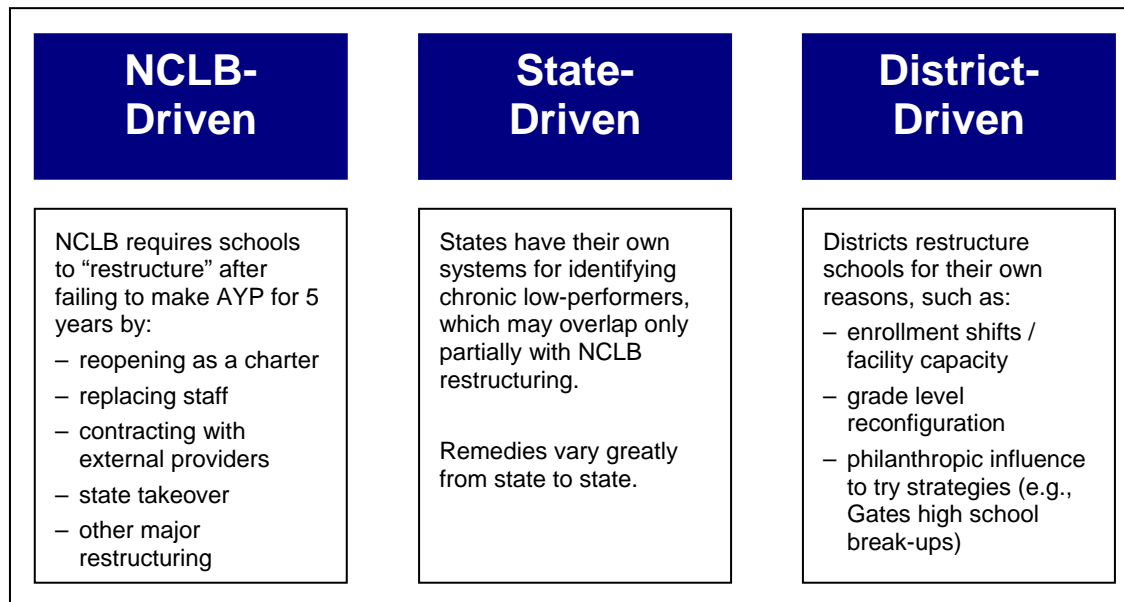
1 Center on Education Policy, *From the Capital to the Classroom: Year Four of the No Child Left Behind Act*. (Washington, DC: Center on Education Policy, 2006). Available online at <http://www.cep-dc.org/nclb/Year4/CEP-NCLB-Report-4.pdf>.

2 Center on Education Policy, *From the Capital to the Classroom*.

3 Analysis based on current trends reported in Center on Education Policy, *From the Capital to the Classroom*.



Figure 1: Overlapping Drivers of Restructuring in Urban Districts



Meanwhile, it has become increasingly clear that conventional approaches to “school improvement” are not very effective in this hard core of chronic under-performers. Mass Insight Education’s research on school turnarounds for the Gates Foundation discerned three major categories of approaches to sparking improvement in schools:

- **providing help**, through means such as planning assistance, professional development, coaching, new curricular approaches, and data analysis;
- **changing people**, by replacing the school leader and/or some or all of school staff;
- **changing conditions**, broadly defined as the context in which other reforms are implemented – e.g., the degree of authority school leaders have over critical resources such as staff, time, and budget and, in general, the flexibility they have to meet the needs of their students.⁴

To intervene in struggling schools, districts and states have overwhelmingly employed strategies that fall in the “providing help” category. While these approaches may well be effective in boosting the performance of middle-tier schools, there is little evidence that they can be successful in cases of chronic, abysmally low performance.⁵

⁴ Mass Insight Education, School Turnaround Design Project, report forthcoming April 2007.

⁵ Mass Insight Education, *ibid.*



As a result, there is increasing interest in approaches that combine *providing help* with the other dimensions as well: the ability to change people and to change the conditions that appear to determine the impact of reform. One strategy that combines features of changing people and changing conditions is contracting with an outside “school management organization” (SMO) to operate a previously failing school. SMOs – a new construction we have invented for the purposes of this report – include nonprofit charter management organizations (CMOs) and for-profit education management organizations (EMOs). Contracting with an SMO involves changing people, because the district brings in a new management team, a new support structure in the SMO’s home office, and perhaps new teachers and staff. It involves changing conditions because the SMO operates the school under a contract that specifies a set of freedoms the operator will have and how it will be held accountable for performance. Ultimately, the continuation of the contract depends upon the success of the SMO in achieving student results.⁶

Restructuring via SMOs maps to two of the five options that districts have for restructuring under NCLB: reopening as a charter school and contracting with an external provider. The other NCLB options (replacing relevant staff, state takeover, and other major restructuring) could involve SMOs, but typically do not. (See table below.)

Restructuring Options Under NCLB

Schools in restructuring under No Child Left Behind must undertake one of the following forms of restructuring:

- 1) reopen the school as a public charter school;
- 2) replace “all or most of the school staff (which may include the principal) who are relevant to the failure to make adequate yearly progress”;
- 3) contract with “an outside entity, such as a private management company, with a demonstrated record of effectiveness, to operate the school”;
- 4) turn the “operation of the school over to the state educational agency, if permitted under State law and agreed to by the State”; or
- 5) engage in another form of major restructuring that makes fundamental reforms, such as significant changes in the school’s staffing and governance.

Some states have limited the options available to their public schools, for example by ruling out state takeover.

⁶ While there has been only minimal experimentation with this approach, early experience has suggested some lessons about how to make it work effectively. For a review of the nascent research, see M.D. Arkin, & J.M. Kowal, “Reopening as a charter school,” in *School restructuring options under No Child Left Behind: What works when?* Naperville, IL: Learning Point Associates, 2005, and J.M. Kowal and M.D. Arkin, “Contracting with external education management providers,” in *School restructuring options under No Child Left Behind: What works when?* Naperville, IL: Learning Point Associates, 2005.



A Market Analysis of Restructuring Approaches in Six Major Cities

Restructuring thus offers both challenge and opportunity. The dysfunctionality of these failing schools, supported by a growing body of federal and state legislation and regulation, provides the possibility of more ambitious forms of school redesign than has largely been the case to date. In particular, these developments would appear to open the door to experiments in alternative forms of governance and decision-making authority, in which the design and management of turnaround efforts are conducted in part or wholly by non-traditional entities – the SMOs.

Because of heightened interest in these possibilities, in the fall of 2006, NewSchools Venture Fund asked Mass Insight Education to conduct a market analysis of the environment for this kind of restructuring in six target urban areas: Chicago, the District of Columbia, Los Angeles, New York City, Oakland, and Philadelphia. This report presents the results of that study in three parts:

- **District Analysis:** Mass Insight scanned each geographic area for information about factors such as the scope and scale of the turnaround challenge, current approaches to restructuring in use in the district, and the potential to engage in restructuring via SMOs.
- **Provider Analysis:** Based on detailed profiles of 46 SMOs operating in these six markets and other national providers, we developed an analysis of the interest level of SMOs in engaging in restructuring and the non-negotiables they would demand as a condition for taking up this work.
- **Synthesized Market Analysis:** Drawing together the information from the district and provider analyses, this section explores potential opportunities for investment in activity that would support successful restructuring via SMOs.

To carry out this work, Mass Insight Education and its consultants conducted more than 50 structured protocol-based interviews with district officials, representatives of SMOs, and individuals with detailed direct knowledge of each market. The research team also scoured public sources of data and media reports, and drew heavily from MIE’s forthcoming report for the Gates Foundation on design of effective, scaled-up turnaround initiatives.

While the research team believes it has assembled a robust picture of these six markets, three caveats about the original design and intent of the project – and therefore the resulting report – are in order. First, because of the study’s specific focus on restructuring via SMOs, the analysis does not present a detailed picture of how other approaches to restructuring, such as the prevailing “providing help” strategies, are working in these markets. The team did not interview, for example, representatives of the many non-SMOs that serve as external partners to schools and districts engaged in restructuring. Second, because there are typically no published sources of information about the topics the team addressed, a great deal of the data included here are self-reported by interviewees. Finally, the team was not asked to ascertain the *effectiveness* of various forms of restructuring underway or contemplated in these districts, or the likely effectiveness of



SMO restructuring. There is a need for such analysis (though it is very early yet to see results from the newest SMO-style experiments) and doubtless it will be undertaken over the next several years. In this particular market analysis, our research focused instead on the appetite and readiness for this kind of restructuring on both “sides” of the market – districts and providers.



II. District Analysis

The Scope of the Challenge: Districts' Need for Restructuring

The markets included in this study include the nation's three largest districts (New York City, LA, and Chicago) as well as the 8th (Philadelphia), 47th (DC), and 69th (Oakland). Collectively, they enroll over 2.7 million students; most of the students in these districts are from low-income families, with approximately 75% eligible for free and reduced price meals.

As Figure 2 displays on the next page, large numbers of schools in these six markets are already in restructuring under No Child Left Behind or are headed toward restructuring. Specifically, in 2005-06:

- just over 250 schools were already in restructuring in these districts;
- over 250 schools were planning for restructuring
- over 600 schools were in “corrective action” or other stages of NCLB identification that precede restructuring. Since (as noted earlier) only about 15% of schools in various NCLB stages make AYP each year, it is reasonable to project that many of these schools will ultimately be in restructuring.

Beyond schools in NCLB restructuring, there are other schools in these districts engaged in some form of restructuring under state or district accountability policies or other district initiatives (see Figure 1). The district-by-district analysis below and the district factbase summaries describe these initiatives. The research team was not able to obtain a clear count of the number of schools in these diverse initiatives, in part because many of the schools in them are also restructuring under NCLB. It is clear, however, that the NCLB restructuring category includes the great majority of schools undergoing restructuring in these districts.

The scope of the restructuring challenge in these six markets, then, is extensive already and is likely to grow considerably over the next three to five years. It is likely that by 2008-09, 500-700 schools in these districts will be engaged in some form of restructuring, with hundreds of others heading in that direction.

Figure 2: District-by-District Background Information

ST	District	Total Enrollment (2005-06)	Total # of Schools (05-06)	Schools Facing NCLB Restructuring (2005-06)	Charter School Sector (2005-06)	Current Approaches to Restructuring
IL	Chicago	<ul style="list-style-type: none"> • 410,874 • 85% free & reduced meals 	• 623	<ul style="list-style-type: none"> • 19 in restructuring • 162 planning for restructuring • 154 in earlier phases 	<ul style="list-style-type: none"> • 20 charters with a total of 27 campuses • 15,000 students • 3.7% of students 	<ul style="list-style-type: none"> • NCLB Restructuring • Renaissance 2010 • Transformation Project
DC	DC	<ul style="list-style-type: none"> • 77,089 • 60.8% free & reduced meals 	• 199	<ul style="list-style-type: none"> • 59 in restructuring • 125 in earlier phases 	<ul style="list-style-type: none"> • 28 charters • 8,153 students • 10.6% of students 	<ul style="list-style-type: none"> • Use of reform models, especially America's Choice • Innovative Schools • Compensation Incentive Schools • Year round schools
CA	Los Angeles	<ul style="list-style-type: none"> • 877,010 • 60.5% free & reduced meals 	• 1131	<ul style="list-style-type: none"> • 9 in restructuring • 63 planning for restructuring • 104 in earlier phases 	<ul style="list-style-type: none"> • 86 charters • 33,000 students • 3.8% of students 	<ul style="list-style-type: none"> • NCLB Restructuring • High School Reform • Incentive Program (recruit teachers to failing schools) • "Putting Students First"
NY	New York City	<ul style="list-style-type: none"> • 1,055,986 • 85% free & reduced meals 	• 1456	<ul style="list-style-type: none"> • 133 in restructuring • 22 planning for restructuring • 173 in earlier phases 	<ul style="list-style-type: none"> • 58 charters • 13,000 students • 1% of students 	<ul style="list-style-type: none"> • NCLB Restructuring • Schools Under Registration Review • Close and re-open
CA	Oakland	<ul style="list-style-type: none"> • 41,467 • 37% free & reduced meals 	• 131	<ul style="list-style-type: none"> • 9 in restructuring • 7 planning for restructuring • 37 in earlier phases 	<ul style="list-style-type: none"> • 27 charters • 5,372 students • 10.9% of students 	<ul style="list-style-type: none"> • Restaffing • Chartering • Close and re-open
PA	Philadelphia	<ul style="list-style-type: none"> • 196,309 • 80% free & reduced meals 	• 273	<ul style="list-style-type: none"> • 80 in restructuring • 2 planning for restructuring • 27 in earlier phases 	<ul style="list-style-type: none"> • 53 charters • 52,000 students • 26.5% of student population 	<ul style="list-style-type: none"> • The Partnership Model (private management) • CEO Region • Charter conversions • Small schools • K-8 restructuring

Data from district and national websites, interviews, and district documents. All numerical data from 2005-06 except for LA and Philadelphia (2004-05).



The State Context

States are responsible for overseeing implementing NCLB, and they have some latitude in how they carry out the provisions of the law. Specifically with regard to restructuring, states are able to limit the options available to districts for restructuring. For example, many states have ruled out state takeovers. Figure 3 shows how each of the five “states” (considering DC as a state) have proscribed the restructuring options available to districts under NCLB:

Figure 3: NCLB Restructuring Options Available in Study States

	Chartering	Replacing Staff	Contracting	State Takeover	Other Major Restructuring
CA	✓	✓	✓		✓
DC	✓	✓	✓	✓*	✓
IL	✓	✓	✓		✓
NY**	✓	✓			✓
PA	✓	✓	✓	***	✓

* Listed as option on DC NCLB webpage, but not clear what this would mean in DC context.
 ** New York offers an additional option not named in NCLB: closing or phasing out the school.
 *** State takeover not mentioned on PA NCLB webpage.

Figure 3 plus the team’s interviews with informants knowledgeable about the state role in these states (along with Mass Insight Education’s work on its Gates-funded turnaround design project) suggest the following observations about the state context for restructuring via SMOs:

- State policies generally neither promote nor prohibit the use of SMOs for restructuring. The exception is New York, in which contracting with an external provider is not an option. Reopening as a charter school is allowed, but the state’s cap on the number of charter school constrains the use of this option significantly.
- Interviews suggested that state education agencies across these markets were not very focused or were only recently focused on NCLB’s restructuring demands.
- States generally do not have plans or capacity to deal with the number of chronically underperforming schools in these cities.
- States are under little pressure from the federal government to press districts to engage in the more dramatic forms of school restructuring. In fact, as noted above, they are permitted to foreclose these options. (That may change in 2007 when reauthorization of the No Child Left Behind Act will take place; early signals are that close attention will be paid to the turnaround provisions in the Act.)
- States are particularly reluctant to invoke the takeover provisions in NCLB or their state statutes, fearing they lack capacity to manage or outsource the operation of failing schools. State officials tend to view their role as supporting and helping districts rather than punishing them or forcing them to take certain actions.



- As a result, for now, it is largely up to districts to restructure failing schools. If SMOs are going to play a role in restructuring in these markets, it will be by forging relationships with districts to do so.
- Finally, restructuring intersects with other aspects of state law in important ways, particularly state charter laws. While chartering is theoretically a restructuring option in all of these states, state charter laws impose various constraints that limit its applicability. These include caps on the number of charter schools (particularly in Chicago and New York), requirements that charter schools be open enrollment by lottery (and thus not necessarily serve the pre-existing population of the failing school), and requirements of staff and parent majority votes to convert existing schools to charter status. While chartering is in many ways the ideal vehicle for restructuring in the eyes of providers (see section III), these limits constrain the viability of chartering as a tool for turnaround in important ways.

Overview of District Findings

Looking across the six markets, the chief finding is that districts vary greatly in their interest in and capacity to handle restructuring via SMOs.

The six markets fall into two broad groups. First, in Oakland, LA and DC, district uncertainty makes substantial restructuring via SMOs unlikely in the near-term. It is possible that leadership change will generate a more favorable environment, but the current prospect is not favorable. Specifically:

- **DC:** District politics makes reform choices involving SMO's unlikely. District leadership does not seem to be interested in using SMO's for their restructuring programs, opting instead to partner with America's Choice in 25 schools. The district also has plans to create a set of as-yet-undefined other interventions. Schools outside of district control under the D.C. Public Charter School Board and federal scholarship program appear more likely routes for SMOs to play in underperforming schools. The likely new mayor, Adrian Fenty, could change all of this if he obtains more sway over district affairs, but the prospects for such a move are uncertain.
- **Los Angeles:** Due to the impending arrival of a new superintendent and uncertainty about how the recent legislation calling for shared control between Mayor Villaraigosa and the school board will play out, the restructuring strategy in Los Angeles is unclear. Therefore, at this moment, there is no avenue for SMOs to become involved in significant school restructuring. New school creation by SMOs, on the other hand, has been and continues to be robust.
- **Oakland:** The district expressed some past interest in use of SMOs for restructuring under state-appointed administrator Randy Ward, who encouraged the formation of a new SMO, Education For Change, specifically to take over failing schools. Ward's departure places the future of these approaches in doubt. The new administrator, Kim Statham, appears to be emphasizing a strategy of "accelerated intervention" in struggling schools, largely focused on direct assistance with instructional improvement. Chartering and contracting do not appear to be in favor.



In the other three markets, there is much greater interest on the part of district leaders in using SMOs for this purpose. However, there are still substantial limits and uncertainties around SMO restructuring in these districts. Specifically:

- **Chicago:** District leaders express strong interest in SMO involvement in school restructuring, and have in fact reached out to SMOs and urged them to take on this role. Renaissance 2010 (Ren10), the district’s effort to close 70 schools and reopen 100 new schools, provides a potentially strong platform for SMO restructuring, with a model request-for-proposals process that welcomes whole-school managers to run previously failing schools. Though Ren10 allows new schools to be charter schools, the city’s charter cap in effect makes this option somewhat unviable, leaving providers to choose between “contract” and “performance” school options, which involve a greater degree of partnership and communication with the district. At this time, only one SMO has signed up for Ren10. Outside of Ren10, many other schools are undergoing restructuring under NCLB, but more than 97% of those have selected the fifth NCLB category of “other” approaches; none have opted for contracting or chartering.
- **New York City:** Mayor Bloomberg and Chancellor Klein exhibit a high-level commitment to a “portfolio-management approach” to district organization, engaging in a wide range of relationships from chartering and contracts to an “empowerment zone” offering autonomy to district-operated schools. Yet the prospects for restructuring via SMOs in NYC are uncertain. Restructuring in NYC is multi-faceted: in addition to NCLB restructuring, some schools are state-designated as Schools Under Registration Review (SURR), and many schools have been closed with new small schools re-opening in the facilities. For NCLB and SURR schools, there seems to be little interest in the use of SMOs; “providing help” in various forms, including the use of external organizations that offer assistance, is the prevailing approach. Contracting with SMOs under NCLB restructuring is, in fact, not an option under NY state policy (unless, in the view of some NYC officials we spoke to, it is done by SUNY or CUNY, which reportedly have a special state designation to act in this manner). For re-opened schools following closure, there is more interest in SMO involvement, but even there the prevailing approach is the use of non-SMO providers of assistance – using the Princeton Review, for example, to provide math coaches. Given the district’s receptivity to chartering, the charter option would appear a promising avenue to SMO restructuring, but the state charter cap severely limits the use of this option for the time being. The looming end of Bloomberg’s term, and the likely departure of Klein at that time, also creates uncertainty about the future prospects for SMO involvement.
- **Philadelphia:** Philadelphia launched a much-watched experiment in contracting with external operators of failing schools in 2001, granting contracts over the next several years to a range of for-profit and nonprofit organizations including Mastery, Edison, Victory, Temple University, and Foundations, Inc. CEO Paul Vallas has maintained this approach, but the contracting relationships generally fall short of full-blown autonomous operation by SMOs. Instead, what has emerged is a hybrid that has come to be known as “thin management,” wherein the district remains in control of most key operational levers and providers play more of a support and assistance role. Recent budget woes in the district have led officials to list



management contracts as one possibility for the budget-chopping block. Mastery’s relationship is an exception, where that SMO has received district facilities but operates them as charter schools with full charter autonomy. There are many other restructuring initiatives in Philadelphia that do not necessarily involve external providers. Chronically low-performing schools that are not contracted out, for example, have been gathered in a CEO Region, and some have received turnaround principals trained by the University of Virginia’s School Turnaround Specialists Program. In the current climate, there are strong prospects for SMO involvement in restructuring – if SMOs are willing to accept “thin management.”

These brief profiles suggest three key variables that differentiate the districts from one another in terms of the viability of restructuring via SMOs (summarized in Figure 7 in the Synthesized Market Analysis in Part IV below):

- Interest in using SMOs for restructuring
- Willingness to grant SMOs sufficient autonomy
- Stability of leadership supportive of SMO restructuring

A fourth variable – financial viability of SMO restructuring – emerged as less important in these markets, but principally because the three markets with interest in SMO restructuring are relatively well funded. Financial considerations would loom larger if cities in less-well-funded states like California became serious about SMO restructuring.

Together, these four variables make up an analytical framework that NewSchools can use as it continues to examine market viability for SMO restructuring. The following sub-sections examine each of them in turn.

First Variable: Interest in Using SMOs for Restructuring

Chicago exhibits the greatest interest in SMO restructuring, with New York and Philadelphia displaying more moderate interest. DC and Oakland display little or no interest. Los Angeles’s leadership is in too much flux to make a determination.

The factors driving interest level vary by city, but one cross-cutting phenomenon is worth noting: the presence of a different kind of external partner for districts and schools in restructuring, referred to here as “school support organizations (SSOs).” Unlike SMOs, SSOs do not operate schools. Instead, they provide various forms of assistance to schools undergoing restructuring. This can range from minimal (e.g., providing occasional professional development) to much deeper involvement (e.g., guiding a whole school in the process of comprehensive school reform). Examples of deeper involvement include Urban Assembly in NYC, which provides a wide range of help across the board to a set of 17 schools, and America’s Choice in Washington, DC, which is involved in restructuring 25 low-performing schools. Since they are not operating schools, SSOs typically do not receive per-pupil funding like SMOs. Instead, they tend to be grant-funded by foundations such as Gates or, as in the case of America’s Choice in DC, funded by fees paid by districts. Their contractual relationships with districts also differ from those of



SMOs. In many cases, there is no contractual relationship other than a handshake and an oral agreement; in others, the contracts are limited to the scope of specific services to be provided, rather than covering whole-school management.

Districts find SSOs appealing for several reasons:

- Since SSOs are not operating schools and therefore not hiring staff or spending school funds, they do not require the kind of autonomy demanded by SMOs. Districts are able to partner with SSOs while maintaining the whole range of district policies, district-employed personnel, and collective bargaining agreements.
- Politically, having an organization “provide help” is less threatening to school stakeholders than having an SMO “take over” a school. Districts likely find it easier to navigate the politics of SSOs than of SMOs.
- Financially, grant-funded SSOs (such as those supported by Gates) add capacity to district efforts to “provide help” without diverting district funding. Such SSOs may be even more appealing to financially pressed districts because they in essence bring additional “free” funding to the districts and schools in which they work.
- As a policy matter, partnering with an SSO appears to comply sufficiently with NCLB’s restructuring mandate under the category of “other major restructuring.” As noted above, state and federal policymakers are generally not pressuring districts to utilize the more dramatic forms of restructuring such as those involving SMO contracting.

In the estimation of the research team, the presence of SSOs is one of the principal factors mitigating districts’ appetite for restructuring via SMOs. On one hand, this is bad news, diminishing the prospects for SMO-led restructuring. On the other hand, the development of the SSOs may ultimately provide a richer and deeper “marketplace” of potential district partners for turnaround work.

Second Variable: Willingness to Grant SMOs Sufficient Authority

Chicago, New York and Philadelphia all offer a range of contractual relationships to SMOs. Chicago’s range is the most explicit, with “charter,” “contract” and “performance” schools enjoying decreasing levels of autonomy on critical issues like hire/fire authority. While less explicit, New York and Philadelphia also have different modes of relating to SMOs, with varying levels of autonomy provided.

In all three markets, the most autonomy-rich option – chartering – is highly constrained as an option for restructuring. In New York and Chicago, this is because of severe caps on the number of charter schools. In Philadelphia, the district may charter more schools, but it has opted (with exceptions such as the Mastery schools) to use thinner management contracts as its predominant mode of engaging external organizations in restructuring.



In the autonomy discussion, it is important to note that the formal grant of autonomy via contract or charter is only part of what determines the actual degree to which SMOs can operate their schools free of constraint. Even with the presence of highly effective top leadership, the middle bureaucracy is often not visionary, not talented or skilled, not entrepreneurial, and oriented toward preserving turf and status quo. The research team heard this refrain, anecdotally, from a number of SMO leaders. This state of affairs can constrain SMO operations on the back-end, even when front-end contractual relationships appear to extend substantial autonomy. Examples of this kind of mid-level bureaucratic torpedoing of reform include:

- inadequate provision of special education services to SMO-run schools;
- overbearing reporting requirements;
- broken promises to provide key services such as payroll and accounting;
- unsatisfactory food services; and
- charging allegedly exorbitant rent for district facilities.

Where districts manage to counteract this challenge, it is typically through the creation of new offices that are designed from scratch to deal with schools and outside providers in new ways, and to run interference for them with the wider bureaucracy. Prime examples of this in these six markets are the offices of new schools in both New York City and Chicago. Without this kind of specialized operation, districts typically lack the capacity and orientation to work productively with SMOs. Even a specialized office does not guarantee responsiveness and flexibility; it too can still become bureaucratic or political.

Third Variable: Stability of Leadership Supportive of SMO Restructuring

In places where SMO involvement in restructuring is viable or even feasible, it is always the case that top leadership – the district CEO and possibly the mayor as well – support the idea of SMO engagement. In Chicago, New York, and Philadelphia, top leaders have endorsed and pushed the idea of whole-school management. In Los Angeles and DC, there is no leadership support for the idea. In Oakland, former administrator Ward was initially supportive, but his commitment to truly autonomous SMO operation faded over time. He has since left the district, and the new administration is not encouraging SMO-based restructuring.

In the three more favorable cities, two – Chicago and Philadelphia – show no signs of impending changes in leadership. In New York City, the Mayor’s departure in 2009 will likely lead to the departure of Klein, leaving the future of SMO involvement in NYC uncertain.

Fourth Variable: Financial Viability of SMO Restructuring

The financial viability of SMO restructuring is also likely to vary from district to district. Three chief factors drive financial viability: (1) overall per pupil funding in the district; (2) the proportion of this funding that is actually provided to SMOs that manage schools; and (3) the willingness of the district to provide facilities at no cost or reduced cost to SMOs.



Since these districts have collectively only engaged in a small amount of SMO restructuring (and some have engaged in none), it is not possible to conduct a full financial analysis of the viability of each market. We can, however, comment on these three factors based on publicly available financial data and our interviews with providers:

- **Overall per-pupil spending.** Per-pupil operating spending differs across these districts. Projecting Standard and Poor data to 2006, Figure 4 illustrates that the districts group into two sets: Chicago, LA, Oakland, and Philadelphia in the high \$8,000's to low \$9,000's, while New York and DC spend over \$13,000 per pupil. With adjustments for cost of living, New York and DC would look somewhat less generous, and Los Angeles would fall in value.
- **Proportion provided to SMOs.** In the three districts with active contracts with SMOs for restructuring (Chicago, Oakland, and Philadelphia), districts offer different levels of funding to SMOs (Figure 4). Chicago's receive less than 100%, Oakland's about 100%, and Philadelphia's 100% plus add-ons of \$450 to \$750 per pupil depending upon the provider. (As noted above, Philadelphia's recent budget woes have called into question the continuation of these funding levels for contractors.) In the other three districts, there is no direct experience with SMO contracts, but schools chartered by districts receive a range of different funding levels within and across the districts: 76%-100 in Los Angeles; 80%-100% in NYC, and 100% in DC.
- **Facilities availability.** The three districts most interested in SMO relationships – Chicago, New York, and Philadelphia – have also done the most to make facilities available to them. New York stands out in this regard, with both an active effort to reopen new schools in old district buildings and a \$250 million charter school facilities financing program. The other districts have done less with facilities, for different reason. In Los Angeles, space is generally scarce. In DC, there is ample underused district space, but the district has been reluctant to provide it to charter schools.

This financial dimension thus appears generally to underline the conclusion reached on the basis of other indicators: that on a relative scale, New York and Philadelphia, along with Chicago to a degree, look somewhat better positioned for SMO restructuring than the other three. (Caveats: there is a lot of money being spent on public school education in the nation's capital, and Philadelphia's budget crunch makes spending for SMOs uncertain at best). Because the SMO restructuring market is undeveloped in all of these districts, the existing financial relationships tend to be idiosyncratic rather than systematic. That is, there is no clear "fee schedule" for taking over a failing school in these cities. If more SMO restructuring took place, it is likely that the financial side would become at least a little more fully realized, and thereby subject to deeper analysis.



Figure 4: Financial Viability of SMO Restructuring⁷

	Est. Per-Pupil Operating Spending for District, 2006	Provider Estimates of % of Operating Funding Offered SMOs	District Provision of Facilities
Chicago	\$8,762	67% - 86%	District is making failed district school buildings available to providers under Ren10 at good price; providers have concerns about strings attached to buildings
DC	\$13,919	Charters receive 100%	Charter schools receive per-pupil facilities funding and, in theory, have access to vacant district buildings. In practice, few buildings have gone to charter schools
Los Angeles	\$9,206	Charters receive 76% - 100%	None; space is at a premium in LA. Charter schools were included in a facilities bond in recent years.
New York City	\$13,581	Charters receive 80% - 100%	District has announced plans to spend \$250m on charter facilities; many new small schools opening in district facilities
Oakland	\$8,731	~100%	District has provided facilities for SMO restructuring, but at high level of rent
Philadelphia	\$9,185	100% + \$450 - \$750 per student (though recent budget woes may mean changes)	District has provided facilities to initial privately managed restructurings; has also made district buildings available for new starts by Mastery

⁷ 2004 per-pupil data generated at schoolmatters.com, inflation-adjusted to 2006 dollars using Bureau of Labor Statistics inflation calculator. Information about level of funding for SMOs and facility availability from provider interviews. Providers gave widely varying accounts of funding provided to them by districts. Ranges shown are upper and lower estimates in dollar and percentage terms. SEED school, funded at high levels as a boarding school, excluded from DC estimates.



Current Restructuring Approaches in Each City

Chicago

Current approaches to restructuring in use

Chicago is engaged in multiple strands of school restructuring – strands that overlap with one another. That is, a school could be part of more than one of the following initiatives:

- **NCLB Restructuring:** Of the 200 schools in restructuring in 2005-06, 195 chose “other major restructuring,” which typically involves changes such as curriculum alterations and professional development. The other five chose some form of staff replacement. None chose chartering or contracting.
- **Renaissance 2010:** 70 schools are being closed and up to 100 new schools re-opened under Renaissance 2010, or Ren10; 38 have opened so far. New schools can be charter, contract, or “performance” schools with decreased levels of autonomy from district policies and collective bargaining agreements.
- **Transformation Project:** New initiative in 2006-07 involving 14 high schools; successor to the Gates-backed Chicago High School Redesign Project (CHISRE). Transformation schools are using a common curriculum developed for CPS by Kaplan.

District of Columbia

Current approaches to restructuring in use

DC currently has no coherent district-wide approach to restructuring. A previous effort to revive failing “Transformation Schools” via principal and staff replacement apparently did not achieve strong results. The DC central office is widely regarded to be in disarray, unable to maintain basic systems such as data management and email for staff. The USDOE labeled DCPS at high risk for mismanagement of federal funds in April 2006. While Superintendent Janey unveiled a “Master Education Plan” in February 2006, it is heavy on strategies like professional development and coaching, standards alignment, data use, and supplemental education services (tutoring) and light on vigorous approaches to school restructuring. Unlike the other districts in this study, DC has no state education agency overseeing its implementation of restructuring. The district does have a State Education Office, but it performs few of the functions of a conventional SEA.

Isolated efforts exist, such as an arrangement with KIPP to assume the middle grades within a K-8 school. And some initiatives are under development. Schools chief Janey has outlined four routes to restructuring, listed below, but only the first has moved beyond the concept stage:



- **Use of reform models.** Twenty-five middle and high schools in restructuring under NCLB have been linked with one school reform model, America’s Choice, as their restructuring approach.
- **Innovative Schools.** The new union contract authorizes “Innovative Schools,” but this approach has not been developed. The intent is for these schools to be laboratories for innovation that can be used more widely. The contract limits the modifications these schools can use to “modified school day; specified wrap-around services; alternative student evaluation; and increased tutorial support for students.”
- **Compensation Incentive Schools.** Also in the contract, this other kind of “pilot school” would experiment with undefined forms of compensation incentives.
- **Year round schools.** This option has also not yet been defined.

Los Angeles

Current approaches to restructuring in use

Given the leadership turnover and uncertainty described under point 2, below, it is impossible to characterize the district’s current approaches to restructuring. Interviews with district officials indicated that the district does not have a coherent strategy for intervening in chronically failing schools. There are, however, numerous restructuring initiatives underway, including:

- **NCLB Restructuring:** LA is pursuing numerous interventions under NCLB restructuring, most of them of the “other” / “providing help” variety. In schools planning for restructuring, school governance becomes the responsibility of the superintendent or his designee. This includes authority over some or all of the following: selection and assignment of all administrators, selection and assignment of all certificated and classified personnel, school budgets and expenditures, professional development, school scheduling/school structure, implementation of small learning communities, and/or changes to the school day or school year. In addition, the district requires schools in this phase to participate in Reading First; receive literacy and math experts to assist; and receive additional professional development. High schools planning for restructuring are eligible to receive a small learning communities “process coach.” The following year, for schools in restructuring, the same provisions apply; in addition, the school must allocate 10% of its budget to PD.
- **High School Reform:** Outgoing Superintendent Romer’s \$36 million proposal would transform seventeen of the district’s lowest performing high schools.
- **Incentive Program:** a plan to recruit and retain fully-credentialed teachers to teach at some of the district’s low-performing schools.
- **“Putting Students First”:** a three part plan to improve middle and high school achievement by restructuring these schools based on proven results in their elementary schools. The plan provides secondary school students with a personalized educational experience, assessment of

individual student progress every 6 weeks, and a return to a consistent 180-day school calendar when possible.

LA has also been the site of a highly publicized battle over the future of Jefferson High School, which involves one SMO (Green Dot) that, unlike most of the others we interviewed, sees school turnaround and restructuring as a central part of its strategic plan. (See Section IV, the profile on LA in the Appendix, and the summary of Green Dot for more information.)

New York

Current approaches to restructuring in use

New York City has been more or less awash in restructuring initiatives for years. Historically, low-performing schools were gathered into a “Chancellor’s District” (under former superintendent Rudy Crew) and given a host of interventions. Currently, a number of different but overlapping restructuring initiatives are underway:

- **NCLB Restructuring:** For schools formally in NCLB restructuring, NYC is using a variety of “providing help” strategies, including the use of external school support organizations (SSOs) without managing schools in full.
- **Schools Under Registration Review:** New York state has a separate process for identifying failing schools under its own accountability system. As in NCLB restructuring (which overlaps), NYC is primarily using “providing help” approaches with these schools.
- **Close and re-open.** NYC has aggressively used close-and-reopen to restructure failing schools, often independent of any federal or state mandates. Sixteen large high schools have closed or are being closed, and more than 180 new small schools have opened the wake of these closures. As with NCLB and SURR restructuring, NYC has made heavy use of external partners in this work through intermediaries such as New Visions, which has received substantial Gates funding for the high school work.

Oakland

Current approaches to restructuring in use

Oakland’s future approach to restructuring is uncertain due to the fact that a new state administrator has just taken the helm, as described below. Previously, the following approaches to restructuring have been in use in Oakland:

- **Restaffing:** some schools in restructuring have required all staff to reapply for their jobs.
- **Chartering:** two schools became charter schools managed by Education for Change, an SMO incubated by the district (with help from NewSchools).



- **Close-and-reopen:** Oakland’s largest restructuring effort is close-and-reopen. A total of 40 new small schools are operating in Oakland as of fall 2006.

All of Oakland’s school reform activity needs to be examined within the broader context of the district’s overall “re-invention” strategy, gathered loosely under the moniker “Expect Success!” and highlighted by its move towards what it calls Results-Based Budgeting (RBB) – essentially, putting more control over budgets in the hands of each school principal. This district reform effort is described in the Oakland section of the District Factbases in the Appendix.

Philadelphia

Current approaches to restructuring in use

A wide range of restructuring initiatives are at play in Philadelphia:

- **The Partnership Model (private management):** management of 45 schools has been contracted to seven private managers, a mix of for-profit EMOs and local nonprofits and universities.
- **CEO Region:** 21 schools were initially reconstituted and placed into a sub-district called the Office of School Restructuring. This office has been replaced by a CEO region, which contains 12 schools undergoing a range of district-led interventions, including the appointment of school leaders trained by UVA’s Darden-Curry School Turnaround Specialist Training Program.
- **Charter conversions:** 4 schools converted to charter status.
- **Small schools:** Philly is also opening 66 small high schools (at least 20 of which will be charters).
- **K-8 restructuring:** Philadelphia is phasing out its middle schools and junior high schools, creating K-8 schools instead.



III. Provider Analysis

Multiple organizations play a variety of roles across the six school districts. To identify key market actors, their level of interest in engaging in restructuring, and the conditions (i.e., contractual non-negotiables) they would require to engage in this work, we examined local and national education service providers that either manage or provide substantive support to traditional and/or charter public schools. In collaboration with NewSchools and key informants in the six districts, we identified a total of 47 providers (9 in Chicago, 6 in DC, 6 in LA, 6 in New York, 4 in Oakland, 6 in Philadelphia, and 10 that work in multiple states). We collected secondary data regarding 46 of the providers and interviewed key personnel from 38. A detailed description of each of the providers is included in the Appendix.

Overview of providers examined

The providers range from small nonprofits that offer professional development to national for-profits that manage a sizeable portfolio of schools under whole school management contracts. Building on a typology originally developed by NewSchools and its partners⁸, we categorized the providers in our analysis as either school support organizations (SSO) or school management organizations (SMO).

SSOs are entities that provide a distinct service to a public school or school district but don't necessarily have a binding legal relationship with the school or district that delegates control or responsibility for outcomes. In contrast, SMOs have a formal and binding relationship and are typically extended a degree of autonomy and control of the schools they manage. Examples of SSOs (again, using the NewSchools/Bridgespan/Gates typology) are associations, design teams, and school partners. Examples of SMOs are franchises, portfolio managers, and education/charter management organizations. The emphasis of our analysis was on SMOs; we did not conduct an exhaustive look at SSO operations in these markets. Instead, we included a few prominent SSOs due to their substantial role in these cities. Figure 5, presented over the next several pages, presents a summary of our profiles of the 47 providers we considered.

⁸ Susan Colby, Kim Smith, and Jim Shelton, *Expanding the Supply of High-Quality Public Schools* (San Francisco: The Bridgespan Group, 2005).



Figure 5: Provider Background Information

(* = data not readily available ** = not applicable)

Provider	Region	Expansion Target	Type ⁹	# Schools Current	Existing Service Models (i.e., charter, contract, external support)
American Quality Schools Corporation	Chicago Indiana	IL, IN, MI, and WI	SMO	9	Charter schools Contract schools
ASPIRA	Chicago	*	SMO	2	Charter schools (start-up)
Betty Shabazz International Charter School	Chicago	*	*	1	*
Chicago Charter School Foundation	Chicago	Chicago	SSO	10	Portfolio manager of charter schools
Civitas Schools	Chicago	None	SMO	3	Charter schools (school site management)
Noble Network of Charter Schools	Chicago	Chicago	SMO	3	Charter schools (start-ups, would consider conversions)
Perspectives Charter School	Chicago	Chicago	SMO	2	Charter schools (Start-up), interested in conversions
United Neighborhood Organization (UNO)	Chicago	Suburban Chicago New Orleans	SMO	4	Charter schools (start-up only)
University of Chicago	Chicago	Chicago	SMO	3	Charter schools (start-up)
Cesar Chavez Public Charter HS	DC	DC	SMO	2 (1,100)	Charter schools (start-up)
EdBuild	DC	DC	SSO	4	External support-facilities
E.L. Haynes Public Charter School	DC	**	SSO & SMO	1	Charter Schools (start-up)
Friendship Public Charter School	DC	DC Suburbs, Atlanta	SMO	5	Charter Schools (start-sp)
See Forever Foundation	DC	DC	SMO	2	Charter Schools (start-up)
SEED Foundation	DC	National	SMO	1	Charter Schools (start-up)
Alliance for College-Ready Public Schools	Los Angeles		SMO	7	Charter Schools (start-up)
Celerity Educational Group	Los Angeles	CA	SMO	1	Charter schools (startup or conversion)
Green Dot Public Schools	Los Angeles	Los Angeles	SMO	5	Charter and contract schools
Inner City Education Foundation	Los Angeles	Los Angeles	SMO & SSO	3	Charter schools (start-up)

⁹ School support organization = SSO, school management organization = SMO



Provider	Region	Expansion Target	Type ⁹	# Schools Current	Existing Service Models (i.e., charter, contract, external support)
Partnerships to Uplift Communities	Northeast LA and NE San Fernando Valley	CA	SMO	7	Charter schools
Value Schools	Los Angeles	Los Angeles	SMO	2	Charter schools
Achievement First	Brooklyn NY and New Haven CT	8-10% of school population in N Haven	SMO	10	Charter and contract schools
Harlem Children's Zone	New York	*	*	1	*
Lighthouse Academies	DC, NY, IL, OH, IN	National	SMO	9	Charter schools (start-up)
Uncommon Schools	Northeast	Boston, Northeast	SMO	7	Charter schools
Urban Assembly	NYC	*	SSO	18	Charter schools (start-up)
Village Academies	New York	None	SMO	2	Charter schools (start-up)
Aspire Public Schools	Oakland	CA	SMO	18	Charter schools (start-up)
Education for Change	Oakland	Oakland	SMO	3	Charter schools (conversion and start-up)
Envision Schools	San Francisco	Bay area	SMO	4	Charter schools (start-up)
Leadership Public Schools	San Francisco	Bay area	SMO	5	Charter schools (start-up)
Partners in School Innovation	San Jose Unified, OakGrove school district and San Francisco	Self-sustaining Schools in Bay area	SSO	14 intensive 30-leadership network	Contractual services- leadership networks
Foundations, Inc.	Phila	None	SMO & SSO	6	Contract schools
Mastery Charter Schools	Phila	None	SMO	3	Charter schools
Temple University	Phila	Phila	SMO & SSO	4	Contract schools
Universal Companies	Phila	*	SMO	*	Contract schools
University of Penn.	Phila	*	SMO	*	Contract schools
America's Choice	National	*	SSO	*	*
Big Picture Company	National	National	SMO	34	Charter schools (start-up)
Edison Schools, Inc.	Phila, National	National	SMO & SSO	24 in Philly >50 total	Charter and contract schools, partnerships to support schools



Provider	Region	Expansion Target	Type ⁹	# Schools Current	Existing Service Models (i.e., charter, contract, external support)
High Tech High Foundation	California	California	SMO	7	Charter schools (start-up)
Knowledge is Power Program (KIPP)	National	National	SMO	52	Charter schools (start-up)
Mosaica	National	National	SMO	81	Charter schools (start-up)
National Heritage	Mid-West	National	SMO	53	Charter schools (start-up)
SABIS	National	National	SMO	8 (7 are charter schools)	Charter schools (start-up) Contract school
Victory Schools	National	Boston to DC corridor	SMO & SSO	13	Charter schools Contract schools
White Hat	Midwest	National	SMO & SSO	50	Charter schools (start-up)

Cross-Provider Analysis

Though NCLB is creating a demand for school restructuring services, our analyses of providers in the six markets documented only tepid interest in responding to the demand. While most organizations expressed a commitment to expansion, SMOs articulated strong concern about districts’ willingness to create the conditions (i.e., autonomy, choice, and phasing) required to implement their models.

Our cross-provider analysis revealed recurring themes that provide a profile of the emerging challenges associated with attracting SMOs to expand their management and support services to include turnaround services. Across the six markets, the key issue clearly is concern about the nature of the relationship between the district central office and the providers.

Range of Experience and Interest

In our research on providers, we aimed to determine each provider’s prior experience and current interest level in turning around failing schools. In that analysis, it is important to make a distinction between: (a) taking over an existing district *facility* and opening a brand new school within it, with new staff and a new cohort of students who choose to enroll; and (b) assuming control of a failing school with its existing cohort of students. While almost all SMOs would be interested in (a) given the right contractual terms, (b) is much more problematic.

Among the 47 providers, eight indicated that they have had some experience turning around previously failing schools.



In our interviews, 36 of the providers indicated their current level of interest in restructuring failing schools. Providers fell along a continuum of interest ranging from interested in restructuring (Interest Level I), interested under specific conditions (Interest Level II), and not interested (Interest Level III).

Interest Level I

Four firms expressed interest in engaging in school restructuring. These firms do not require specific conditions but rather, see the restructuring market as either an existing component of their mission or a potential niche for expansion. This is not to say these firms would not want to negotiate with districts for certain levels of autonomy, funding, and other provisions. They indicated a level of flexibility around these issues, however, which separated them from firms in Level II.

Interest Level II

Twenty-three firms expressed potential interest in school restructuring *under the right conditions*. The providers are consistent in their hesitation to engage in whole school restructuring unless granted substantive autonomy. Some providers were explicit regarding a particular condition (e.g., cannot work under a collective bargaining unit, have to be able to hire the principal, district must provide the facility, or must be able to gradually add grades), and others simply noted that they would only engage in restructuring if they could be guaranteed the same autonomy extended to charter schools. Overall, under the umbrella of autonomy, the firms identified the critical importance of autonomy related to (a) finances, (b) staffing, (c) programs, and (d) school choice. We explore these conditions in more detail under Prioritizing Autonomy, below.

Interest Level III

Nine providers stated unequivocally that they are not interested in the school restructuring market. One allowed that they *might* consider conducting turnaround but only if they were allowed to essentially create a new charter school.

Reasons given for not being interested in restructuring were (a) their model is not sufficiently established to replicate; (b) restructuring is beyond provider's core mission; (c) restructuring is not effective; and (d) community resistance associated with attempts to restructure public schools is too substantial. A representative from one Level III SMO elaborated that while there is definitely a market for providers specializing in turning around public schools, attempts to significantly alter existing schools are the equivalent of placing "old wine in new bottles." The SMO representative argued that you have to close a school and start over rather than attempt to change from within. Another provider

noted that: “it is much better to work with new schools from the get-go rather than have to turn everything around after it is failing already.” A third representative explained: “The notion of going into an existing failing school with that failing school’s culture is essentially what the New American School design schools tried to do. The research on that is that they were unsuccessful.”

Prioritizing Aspects of Autonomy

Autonomy is the umbrella condition sought by nearly every provider. However, we documented that specific aspects of autonomy take priority during restructuring, in the eyes of the providers. In order of priority, providers that expressed an interest in the restructuring market (n=27) identified staffing autonomy, programmatic autonomy, enrollment autonomy, and financial autonomy as non-negotiable conditions of their engagement in restructuring.

Staffing autonomy

Providers reported that authority to hire and fire school leadership and instructional personnel is particularly critical to restructuring. The firms noted that in order to implement their educational models successfully, they would need to set the conditions of employment (e.g., qualifications, compensation, and school day). While some firms noted that they would not work within the confines of existing collective bargaining agreements (CBAs), others said that they would work with unions if they could negotiate modifications or exceptions to the CBA based on their unique educational models. Only 13 firms stated unequivocally that they would not negotiate with teachers’ unions. But those negotiations would clearly be difficult; of the 23 Interest Level II providers, all but two said that staffing autonomy, and specifically hiring/firing of principals and instructional personnel, was a non-negotiable.

Programmatic autonomy

Programmatic autonomy represents the degree that districts grant providers control over grades offered, the curriculum and instruction, and the school day/year. Seventeen firms noted that in order to be successful, they need to start their school by offering limited grades and then expand each year by one grade, thereby phasing the model in with a new cohort of students. This is in direct contrast to assuming management responsibilities for an entire school in a single year, with a cohort of existing students. To accommodate this preferred phasing would require closing a school and reopening it with a different grade configuration (i.e., not serving the same students who were enrolled prior to restructuring). Twenty of the Level Interest II providers explicitly identified control of the curriculum and instruction as a non-negotiable.

Controlling the school day and year entails being able to dictate not only duration of the school day and number of instructional days but also, the manner in which the instructional day is divided. Eighteen firms reported that controlling the length of the school year and the school day are central components of their models.

School choice

Reflecting what we consider a core tension embedded in school turnaround restructuring initiatives, 12 providers emphasized the importance of restructured schools being schools of choice that provide new opportunities to students –but not necessarily the same students who were previously enrolled in the school.

Providers generally offer a prescribed school model that may or may not appeal to all children and families. While expressing a commitment to open enrollment and specifically to educating low-income students, they noted that their models are predicated on parents’ intentionally choosing to attend a school as opposed to being assigned due to geographic proximity. Numerous providers described school choice as critical to starting fresh and successfully crafting a positive school culture.

Financial autonomy

Financial autonomy is the ability of the provider to allocate all of the resources of the school as it sees fit, rather than having to devote resources to district prescribed inputs and programs. Of the 23 Level II interest providers, 18 identified budgetary autonomy as a non-negotiable. Closely aligned with staffing autonomy, financial autonomy enables providers to prioritize their spending according to their programmatic requirements rather than district standard operating procedures. Within this broad framework, firms specifically noted the importance of being provided full per-pupil funding, either a facility or access to additional funds for a facility, and capital costs. At a minimum, providers expect that they would receive charter school level funding and that the district would provide and improve facilities.

Provider strengths and weaknesses

In addition to assessing providers’ interest in restructuring, we asked them to identify what they perceive are their strengths and weaknesses. The strengths represent what the firms may be able to offer districts that are urgently in need of school reform assistance. The weaknesses reflect their own assessment of the limits on their ability to grow and/or take on additional reform roles (such as contracting for turnaround).

Figure 6, below, presents a summary of these self-acknowledged strengths and weaknesses.

Figure 6: Provider Reported Strengths and Weaknesses (n=38)

Provider Strengths	Provider Weaknesses
<ul style="list-style-type: none"> • Managerial expertise (including data) (24) • Quality personnel (18) • School design/model (16) • Academic outcomes (10) • Focus/tenacity (7) • Adaptability (5) • School culture (4) • Facilities expertise (3) 	<ul style="list-style-type: none"> • Central office systems (15) • Balancing quality and growth (9) • Newness of model (8) • Cost of model (8) • Facilities issues (8) • Implement mission w/in confines of district (6) • Hire/retain qualified teachers (5) • Implementing challenging instruction (5) • Managing data (2) • Academic outcomes (2)

Contracts lost

Four single site and regional providers reported voluntarily terminating their relationships with a school or district. The only providers that reported losing contracts were the national providers. Three of these national providers reported that they have lost one contract, two have lost five, and one has lost approximately 20 contracts. (These are self-reported numbers; we know for certain that in some cases they are under-reporting the correct number.) The reasons providers cited for the contract terminations were (a) dissatisfaction on the part of the customer with the terms of relationship and outcomes or (b) dissatisfaction on the part of the provider with the conditions governing the contract.

Experienced turnaround providers

Eight of the providers operating in the six markets have experience with school turnarounds. Yet, only four of the experienced providers are interested in pursuing additional restructuring contracts without specific conditions. One of the experience providers would only re-enter the market if there were a “geographic imperative” and a renewed commitment in public school reform spearheaded by the organization’s president. Another experienced provider cited the turmoil associated with their single foray into restructuring a middle school and indicated that in order to consider restructuring again, they would need substantial flexibility to significantly change the school, including autonomy to select personnel. Of the two remaining firms with

turnaround experience, one is not interested in restructuring under any conditions, and the other declined to grant an interview.

Among the key factors driving the experienced turnaround providers to seek further turnaround work are:

- **Mission.** Serving as a lever for change in the public school sector is central to the mission of multiple providers. The experienced providers that expressed an interest in pursuing additional restructuring work view that work as part of their mission. They cited a commitment to improving the educational opportunities for students in underserved communities and serving as a model for the traditional public schools.
- **Capacity.** The providers expressed a degree of confidence in their capacity to enact change in spite of limitations imposed by district policies.
- **Market share.** Due to NCLB, school turnarounds represent a key niche that will most likely grow for the foreseeable future. The large national SMOs see the turnaround market as a developing opportunity worthy of investment. (Specifically: two of the larger SMO's appear ready to do turnaround work accepting district conditions, but most national providers will only do so with charter-like autonomies, and two will not engage in this work at all. All believe the market is significant and poised to grow, but the providers vary as to their interest in working and under what conditions.)

Among the key factors driving these providers *away* from further turnaround work are:

- **Restricted authority.** The key point of contention with the experienced turnaround providers is the degree of autonomy districts are willing to grant providers in order to allow them to substantively change the school. In particular, providers in Philadelphia engaged in turnaround efforts but were only granted thin management authority, thereby (they said) limiting their ability to fully implement their models. Given the microscope under which turnaround providers will work, accepting conditions that force them to alter their model but then evaluating whether their management and model lead to increases in student outcomes, they maintain, is untenable. In essence, autonomy is part of the educational model of most of the SMOs.
- **Difficulty of altering existing school cultures.** Providers asserted that changing the culture of existing schools to facilitate learning was difficult to impossible. Nearly all of the providers noted that it would be easier to start fresh than attempt to change existing schools.
- **Challenging politics of turnarounds.** In contrast to new starts, which are generally welcomed by parents and community members, providers said that turnarounds tend to engender fierce community politics, in many instances making it difficult for providers to move forward with their plans and soaking up scarce resources.



Building on charter school statutes

SMOs can enter the restructuring market by way of multiple channels (i.e., private contracting, managing charter school startups, or providing specific services under the category of “other types of restructuring”). We found that managing charter schools – logically – is most appealing to SMOs because charter school providers enjoy freedoms from district policies and this autonomy enables them to implement their own programs, with their own staff, on their own terms. Furthermore, these autonomies are generally extended under state statutes rather than district discretion. Numerous providers noted that charter statutes provide them with a level of protection and security from interference that is not generally conveyed through contracts negotiated based on district will alone. In Philadelphia, Oakland, and Chicago, promised autonomies appear to have been constrained to some degree. SMOs are committed to the core elements they believe are essential to be successful, and if a contract or district policy restricts these core elements in anyway, their deeply-held conditions for success will not be met.

School restructuring market supply

Based on our cross-provider analysis, we conclude that few SMOs or SSOs are likely to tackle restructuring at anything approaching the scale needed by districts as more and more schools enter this phase of NCLB. While nearly all the providers we examined expressed an interest in expanding, few are specifically targeting the school restructuring market due to the concerns outlined above.

With the exception of the four firms that are interested without stipulating “non-negotiable” conditions, the firms that enter the market will want to open new schools of choice, one grade at a time – thereby limiting the numbers they serve and the consequent interest districts will have in working with them.

One unknown in our analysis is the fluidity of providers’ non-negotiables. For instance, districts’ position regarding maintaining the same students might shift if district school choice reaches a tipping point where all students can reasonably access multiple schools of choice. Alternatively, other external factors might conceivably compel districts and providers to be more flexible about negotiating contractual relationships. For instance, in the two districts with charter caps (Chicago and New York), SMOs specializing in charter management might be driven to enter restructuring when the cap eliminates the possibility of new charter contracts.



IV. Conclusion

The central market dynamic observed in this study is a profound mismatch between supply and demand. At one level, this mismatch is simply quantitative. Collectively, these six districts are likely to try to restructure 500 to 700 schools in the next 3-5 years. Twenty SMOs would each have to be willing to restructure five schools annually for five years even to reach the bottom of this range. In fact, many of the SMOs in this study are planning to grow annually by fewer than five schools of *any* kind, including start-ups. So even under the best of circumstances, it is unlikely that the current cohort of SMOs could be involved in restructuring more than a fraction of the schools that need it.

At a deeper level, there is also a disconnect between the conditions SMOs seek in a restructuring arrangement and what districts are likely to provide. On the supply side, many providers are interested in becoming involved in restructuring, but only if they are offered a very high level of autonomy across a range of issues, including the ability to build schools one grade at a time. These autonomies typically include the right to hire and fire principal and staff and to have complete control over the budget. On the demand side, districts are typically reluctant to give that level of autonomy. The one-grade-at-a-time issue is particularly problematic for districts, which are under pressure to restructure whole schools and serve all of the children within them immediately. Even in more willing districts, leadership turnover may endanger current arrangements that provide the kind of autonomy SMOs seek. With that dynamic, these markets are unlikely in the short-term to realize the considerable potential that could come from SMO-led restructuring.

It is possible that this set of circumstances could change. Federal policymakers, for example, are considering tightening the requirements for restructuring. If they do so, and if the new measures have real teeth, it is possible that restructuring via SMOs could become more attractive to districts. From the other direction, there are also pressures on SMOs that could make them more amenable to compromise over time. Most of them are seeking to grow – though not if growth compromises the quality of their offerings, which appears to be their paramount priority. Where charter caps and/or facilities challenges constrain growth, working out deals with districts to re-open failing district schools may seem like a better option.

It is clear that there is a profound supply-demand mismatch currently when it comes to SMO involvement in school restructuring. But there is also great opportunity.

Districts nationwide will restructure thousands of school in the next three to five years, and the six districts included in this study alone will restructure hundreds. This is a nascent business. Public education has never before threatened schools with



going out of business for reasons of underperformance. New rules will be written in this area, new kinds of partnerships formed, and new kinds of organizations created. It is the kind of opportunity that can lend itself to entrepreneurial leadership.

To play a critical role, investors and entrepreneurs will need to think strategically and creatively the questions posed in this study: questions about what kinds of ventures can best serve this market, and what kinds of public policies are necessary to make these strategies work. Because supply and demand seem to be mismatched, those interested in furthering the progress of turnaround entrepreneurs might consider a variety of approaches, such as: scaling up new schools in districts that have restructured schools, thereby offering children an option outside the district restructuring context; continuing to build and improve upon the early experiences of those SMOs that have engaged in restructuring despite the challenges; or helping to address the lack of state and district capacity to turn around schools or engage with SMOs more directly through policy and advocacy efforts. There may also be a need for an entirely new type of organization – a “turnaround management organization” or TMO – that would be designed from scratch to take on school turnarounds.

The analysis shared in this report highlights the numerous trap doors, mazes and warning lights that bedevil this kind of work. But it also points the way to a set of potential approaches that could make a significant difference for underperforming schools, struggling school districts, pioneering educators – and for the students they serve – over the years to come.