Portfolio Strategies, Relinquishment, The Urban School System of the Future, and Smart Districts

Paul Hill, Ashley Jochim, Christine Campbell

February 2013

Today, there are many new proposals about governance of K-12 public education.

- The portfolio strategy emphasizes a system of continuous improvement for diverse, autonomous schools governed by performance contracts.[1]

- Devolution models include efforts to expand the role of charter management organizations and other nonprofit providers (Andy Smarick's "Urban School System of the Future," Neerav Kingsland's "Relinquishment").[2]

- School transformation models emphasize the role of third-party support organizations that create K-12 feeder patterns of allied schools (Bill Guenther and Justin Cohen's Mass Insight "Smart Districts" proposal).[3]

Are these really rival proposals as the authors of some are claiming? This idea is misguided; these are complements, not alternatives.

The proposals for relinquishment, smart districts, and the urban school system of the future all work within the context of portfolio governance. The connections among the portfolio strategy and these proposals are straightforward. The portfolio strategy defines the role of government; the other proposals show how, once government's role is redefined, independent providers will develop capacity to provide schools, assist schools, develop teacher skills, etc.

Though each of these proposals re-defines something about how schools are operated, only the portfolio strategy provides entirely new approaches to the core functions of governance, i.e., decision-making about raising and distributing taxpayer funds, setting goals for students and schools, assessing performance, accountability (who must demonstrate performance, and by what criteria performance is judged), and remedies (what happens if students fail to learn, are neglected, or suffer harm). The portfolio strategy also includes approaches to transforming existing district-run schools, which

> The connections among the portfolio strategy and relinquishment, smart districts, and the urban school system of the future are straightforward: they are complements, not alternatives.

1. Paul Hill, Christine Campbell, and Betheny Gross, *Strife and Progress: Portfolio Strategies for Managing Urban Schools* (Washington, DC: Brookings Press, 2012)

2. Andrew Smarick, *The Urban School System of the Future* (Lanhan, MD: Rowman and Littlefield, 2012); Neerav Kingsley, "Reformers and Relinqiuishers: An Open Letter to Urban Superintendents In The United States of America," in Rick Hess Straight Up blog, January 23, 2012

3. Bill Guenther and Justin Cohen, *Smart Districts: Restructuring Urban Systems from the School Up* (Boston, MA: Mass Insight, 2012).

now educate the vast majority of children, into autonomous, accountable schools, and to phasing out the old centralized district central office. The smart districts and urban school systems of the future acknowledge the need for governing institutions but do not say how they will operate.

Under the portfolio strategy, government (whether in the form of a local school board or some other authority like the mayor) would be a performance manager, allowing schools to operate as long as they were the most effective available, constantly looking for better providers, and closing the least productive schools. Schools would operate under performance contracts and pay for services from independent providers, networks, or school transformation organizations. Schools would decide whom to hire, how to allocate their budgets, and what services to buy. All parents would choose schools, and schools would be funded based on enrollment.

All of the current proposals—for portfolio strategies and for new roles for charter management organizations (CMOs), transformation networks, and other provider or- ganizations—stem from Osborne and Gaebler's *Reinventing Government.*[4] Their core principle is that government should steer—set goals, determine expenditure levels, run competitions to find the best providers, judge performance, and abandon and replace ineffective providers—but it should not row (i.e., be a provider itself).[5]

Conventional (un-reinvented) government is crippled by the need to enforce extensive systems of rules, protect its own provider institutions, and keep peace with a civil service-based labor force. Reinvention is based on the proposition that, to get the best possible services for taxpayers' money—and to get the most effective, innovative, and adaptive services for beneficiaries in education, children—government must maintain the flexibility to abandon and replace a provider if a more effective option becomes available. In most cases, this implies a preference for independent providers, though Osborne and Gaebler show how government-run providers can also be placed under performance contingency.

Importantly, Osborne and Gaebler do not say that government should abandon steering along with rowing. Just as providing services can compromise government's steering role, allowing providers to judge and oversee themselves would create serious conflicts of interest.[6]

The portfolio strategy shows how government can steer in public education; the other proposals show how independent organizations might be organized to row. In all likeli- hood, all of the kinds of non-governmental groups envisioned by Smarick, Kingsland,

> The portfolio strategy shows how government can steer in public education; the other proposals show how independent organizations might be organized to row.

4. David Osborne and Ted Gaebler, *Reinventing Government, How the Entrepreneurial Spirit is Transforming the Public Sector* (Reading, MA: Addison-Wesley, 1992).
5. A great example of steering not rowing in K-12 public education: New Orleans' almost total reliance on charter schools as providers, under which government (The Louisiana Recovery School District) closes low-performing schools, uses chartering to create better options, ensures a financially level playing field for all schools, assesses school performance via common metrics, supervises student admissions to prevent discrimination, closes the least effective schools, and searches for better providers.
6. A pure voucher plan would attempt governance without government. It assumes that the market would discipline bad providers and drive improvement. It makes no provisions for such "rowing" functions as setting minimum standards for providers, or identifying students whom schools avoid enrolling or whose parents make bad choices and finding options for them.

and Guenther and Cohen would arise under a portfolio strategy. Many if not all schools would be charters. Some charters and existing district schools might join multi-school "turnaround" networks. Some charter schools would be managed by CMOs and others would be freestanding schools. They, and even CMOs, could buy services from an assortment of vendors. No network, CMO, or vendor would be guaranteed a specific amount of business.

This marketplace for services is one of the drivers of improvement in a portfolio strategy: schools can set their own priorities and draw from competing options. Providers whom no school wants to hire (and schools that can't discern the kinds of help they need to be effective) will be at risk.

Table 1 illustrates the difference between steering and rowing functions in K-12 public education. In steering, government sets the terms under which organizations provide education. In doing so, government must ensure that all providers face a level playing field where the actors have equal access to information, funding, and students, and are judged on common standards. The rowing principle is that government must rely on independent providers to the maximum possible; if government-based providers compete, they must have no special advantage.

> To be successful, the portfolio governance proposal depends on the supply response. It creates the need for resources but does not guarantee their existence.

Table 1. Examples of Steering (Green) and Rowing (Grey)

	State	Local government	Marketplace of school operators and assistance providers
Set student outcome standards	XX		
Equitably allocate public funds and other assets, e.g., facilities		XX	
Collect and analyze performance data		XX	
Ensure there is at least one effective school option for every child		XX	
Withdraw funding from schools too unproductive to risk students' futures		XX	
Guarantee fair school choice: rich information and fair placements		XX	
Create a level playing field for established and new providers		XX	
Ensure civil rights (including those for disabled students)		XX	
Disqualify fraudulent or nonperforming online providers			
Operate schools			XX
Recruit/identify talented teachers and school leaders • Hire and assign teachers • Set teacher pay and benefits; fully fund benefits			XX
Provide pre- and in-service training			XX
Enter collective bargaining agreements at the school or CMO			XX
Try to turn around troubled schools			XX
Develop innovative instructional models	XX		XX
Create new vendors and multi-school collaboration to serve special needs			XX
Provide back-office services, transportation, food services			XX

How Current Proposals Complement One Another

Several years ago the senior author of this paper coined the phrase "zones of wishful thinking," referring to the limitations of bold education reform proposals.[7] All reform proposals intervene in the education system in some way, and cause some changes. However most (in truth all proposals ever examined) require complementary events that the proposal itself cannot cause to happen. To illustrate: a voucher proposal gives parents freedom to choose schools, but it does not inevitably create new options for parents to choose among. The supply response depends on factors other than the voucher plan itself: the presence of people with new ideas about schooling, financing for risky new starts, vivid enough opportunities to attract entrepreneurs who also have opportunities in other fields, etc. It helps if the voucher is worth a great deal of money, but other factors will co-determine the supply response. That is the zone of wishful thinking for a voucher proposal.

All the governance proposals reviewed here can be analyzed similarly.[8] The portfolio governance proposal creates new roles for elected officials and public agencies, but its success depends, like the voucher example, on the supply response.

Capable people must be eager to start good new schools; schools newly free to manage themselves must be able to attract good teachers and leaders, and get help improving their practices. Districts committed to using any effective means to educate their children will need to find ways to support district-run schools that can improve, but also to charter new and innovative providers and encourage development of a support infrastructure for a system of diverse schools. The existence of a portfolio strategy creates the need for such resources but does not guarantee their existence. And, new capacity-building mechanisms are likely to emerge only when there is a governance system like the portfolio strategy, which both gives schools freedom to choose assistance sources, and keeps them under constant pressure to improve.

Table 2 illustrates the complementarities among the proposals, showing what they prescribe directly and what they need but cannot cause, i.e., their zones of wishful thinking. The portfolio strategy clearly needs mechanisms for operating and improving schools, such as those provided by the other reforms listed in the table. The other reforms, reciprocally, depend on the portfolio strategy to provide preconditions that they cannot create by themselves.

> "Zones of wishful thinking" are the limitations of bold education reform proposals: all proposals require complementary events that the proposal itself cannot cause to happen.

---

7. Paul T. Hill and Mary Beth Celio, *Fixing Urban Schools* (Washington, DC: Brookings Press, 1999).
8. I am indebted to Robin Lake for suggesting these points.

Table 2. Zones of Wishful Thinking

	What The Proposal Provides	The Proposal's Zone Of Wishful Thinking
Portfolio strategy	Roles for government that make schools free but require them to seek continuous improvement	Supply response of school operators and assistance providers
Relinquishment	Marketplace of providers for autonomous schools	Governance that frees and motivates schools to seek help
Smart districts	Networks of schools organized in feeder patterns	Governance that frees and motivates schools to seek help
Urban school system of the future	Charter management organizations	Governance that favors reproduction of effective school models and closure of failed schools

Conclusion

In a field where controversy and polarization are so common, it is important for reformers to avoid posing false choices. It makes no sense to say, "skip portfolio governance and just emphasize independent management of schools," or "focus capacity building on turnaround contractors and don't bother with chartering." None of these proposals can work except in combination with the others.

These other reforms depend on the portfolio strategy to provide preconditions that they cannot create by themselves.

CENTER ON REINVENTING PUBLIC EDUCATION
Improving education through transformative, evidence-based ideas

Through research and policy analysis, CRPE seeks ways to make public education more effective, especially for America's disadvantaged students. We help redesign governance, oversight, and dynamic education delivery systems to make it possible for great educators and programs to do their best work with students and to create a wide range of high-quality public school options for families.

Our work emphasizes evidence over posture and confronts hard truths. We search outside the traditional boundaries of education to find pragmatic, equitable, and promising approaches to address the complex challenges facing public education. Our goal is to create new possibilities for the parents, educators, and public officials who strive to improve America's schools.

CRPE
REINVENTING
PUBLIC EDUCATION