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From the Outside In

Chapter 3 *Persepolis*

## OUTSIDERS RESHAPE THE EDUCATIONAL LANDSCAPE

A day before the Philadelphia School District was scheduled to vote on massive budget cuts for the 2013–14 school year, two prominent philanthropists called a news conference to urge state and city politicians to give the city the funds needed to avoid the draconian cuts. As residents of the suburbs, they worried about the city schools: “I live in Wayne [an affluent suburb], and I care deeply about what happens in Philadelphia because Philadelphia is the hub of the region. If we let the education of our young people go down the drain, we’re in big, big trouble” (Carole Haas Gravagno quoted in Woodall 2013c). While not all suburban neighbors recognize it as clearly as these philanthropists, they all have a stake not only in the city’s built environment but in its education system as well. That is true not only in the Philadelphia region but across the nation. The public, the media, and business organizations complain that public schools are failing to prepare American youth to participate in the labor market, in communities, and in civic life. The most scathing criticisms are aimed at inner-city school districts that serve many children from impoverished and/or immigrant homes. Those

same districts where students face the most serious academic challenges also confront some of the nation’s most difficult fiscal problems because their property tax bases cannot produce enough revenue to support schools. That unfortunate convergence of high academic need and weak local tax base created a downward spiral in the fortunes of urban school districts across the country during the 1970s and 1980s.

The Philadelphia School District reflects this unfortunate pattern. Table 3 shows that the average expenditure per pupil by the city schools falls well short of the average expenditure by the districts located in the four suburban counties. To appreciate the significance of that dollar disparity, consider that if Philadelphia could spend an additional \$2,000 per pupil (bringing it closer to parity with the suburban counties), each classroom of thirty students would benefit from an extra \$60,000 across the school year. To a lesser extent such disparities also distinguish the suburban districts from each other. Within Montgomery County, for example, some lower spending districts allocate around \$14,000 per pupil, while one high-spending district on the Main Line (in Lower Merion Township) spends over \$25,000 per pupil. That is almost *double* what the city schools are able to spend on each child. The inequities result in part from the fact that, compared to many other states, Pennsylvania places more of the burden for school funding on its local districts, with the state government providing less.

Under virtually all state constitutions, the state government shoulders ultimate responsibility for providing public education to all children, so the possibility has always existed that states might intervene to address problems

**Table 3. Average spending per pupil by the school districts in Greater Philadelphia, 2011–12**

|                                    |          |
|------------------------------------|----------|
| Bucks County school districts      | \$15,736 |
| Chester County school districts    | 15,544   |
| Delaware County school districts   | 15,768   |
| Montgomery County school districts | 17,372   |
| Philadelphia school district       | 13,167   |

*Source:* Pennsylvania Department of Education, Expenditure Data for School Districts, Career and Technology Centers, and Charter Schools. <http://www.portal.state.pa.us>.

in urban districts. However, for much of the twentieth century states allowed inner-city schools to decline in ways that were widely seen as inevitable. The sorry state of urban schools rose to the top of state political agendas only when heightened educational requirements for employment began to play a role in company location decisions. During the 1970s escalating interstate competition to attract jobs and investment virtually ensured that states would start to see public schooling as an economic development issue. At that point states became more activist. The result, according to historians of education, was state intervention: "The most striking change in U.S. education governance in the last forty years has been the growth of centralized state control" (Kirst 2004, 28).

By 2001 eighteen states had taken over their local school districts (Wong & Shen 2003, 89), including highly publicized takeovers in Newark (1995), Chicago (1995), Cleveland (1997), and Baltimore (1997). Other states experimented with a model that removes control of individual school buildings that are failing from the local district and places those problem schools in a single "district" supervised directly by state officials. In 2003 Louisiana created a "recovery school district" to take over individual schools that had not met minimum academic standards for four consecutive years. After Hurricane Katrina devastated New Orleans in 2005, the state legislature transferred 107 of the city's low-performing schools to that state-run entity. In recent years Michigan created a similar education achievement system to remove the lowest performing 5 percent of schools across the state from local districts and place them under state control, starting with Detroit in the 2012–13 school year. State activism has increased at the same time that districts are relying more on nonprofit organizations and for-profit companies to operate publicly funded schools. Philadelphia serves as a good example.

### Pennsylvania Takes Over Philadelphia Schools

In 1998 the Philadelphia School District presented the state legislature with one more in a long series of annual appeals to cover budgetary shortfalls by providing state funds beyond the normal state formula. The request in itself was unsurprising; such appeals were virtually an annual event. But 1998 was different in one respect: Philadelphia's determined superintendent of schools escalated the stakes by taking the risky step of threatening to close

the city schools if the state failed to cover an \$85 million deficit. That defiant stance so angered legislative leaders that they responded by passing legislation authorizing the state secretary of education to declare any district "distressed" if it failed to budget appropriately. Once labeled "distressed," that district could legally be taken over by the state. Although the legislation could be applied to *any* Pennsylvania school district, it was clearly aimed at persuading Philadelphia leaders to solve their own budgetary problem.

One might have expected that state legislators representing voters in Philadelphia would unanimously reject this assault on local control of their schools. But they did not. Among the city's delegation of thirty-two representatives and senators, eight actually *avored* the state takeover. Table 4 shows that even stronger support for the takeover came from Philadelphia suburbs. Suburban legislators badly wanted to see changes in the way the city was managing public schools. After the bill passed, state officials refrained from immediately invoking their new power to control the schools in the state's largest city. But the prospect of a takeover gave the governor leverage during several years of intense negotiation with Philadelphia's mayor about whether and how the school district's relationship to the state would change.

After several years of negotiation the state ultimately did take over the Philadelphia schools in 2001, placing authority to hire the superintendent and make school policy in the hands of a five-member School Reform Commission (SRC). State law gave the governor the power to nominate the majority of commissioners (three) and to name the commission chair. The mayor appointed two additional members. The SRC has managed the city schools ever since. As its first chair, the governor appointed a Republican investment advisor from Swarthmore, a Main Line suburb, to lead the SRC through its first half dozen years.

**Table 4. Voting on 1998 legislation allowing the state government to take over Philadelphia schools**

|                               | Voting Yes | Voting No |
|-------------------------------|------------|-----------|
| Legislators from Philadelphia | 8          | 24        |
| Legislators from suburbs      | 39         | 6         |

*Source:* Pennsylvania General Assembly, House of Representatives. 1998. History of House Bills and Resolutions. Harrisburg, PA; Pennsylvania General Assembly, Senate. 1998. History of Senate Bills, Resolutions, and Executive Communications in the Senate. Harrisburg, PA.

What motivated the takeover? State politicians—both Democrats and Republicans, both city-based and suburban—saw the Philadelphia School District as incapable of managing resources competently. With a different approach to management, they hoped, the city would not need constant infusions of cash beyond what the state funding formula allowed. That clashed directly with the view of Philadelphia school advocates, who saw the constant budgetary shortfalls as the result of a funding formula that failed to account for the city's unusually high educational costs. In taking over the city schools, state officials aimed not merely to replace local control with state control; they wanted to transform school policies by changing school governance. As states have become more activist they have generally promoted a standardized curriculum along with testing and school choice (Kirst 2004). In Pennsylvania the agenda for Philadelphia included restructuring the delivery of education to emphasize competition and other market features that state leaders hoped would control costs. They sought to increase consumer choice, a basic principle of the Republican agenda.

In line with that Republican agenda, Philadelphia's newly created School Reform Commission moved swiftly to engage a large number of private school operators to administer individual school buildings. In spring 2002 the SRC announced that over forty of the worst performing schools would be handed over to educational management organizations (EMOs), some to profit-making operators and a number of others to nonprofit organizations. Those EMOs were given contracts to assume responsibility for all aspects of school operations, including administration, teacher training, and such noninstructional functions as building maintenance, food service, and clerical support. The EMOs ran their schools within the framework of the existing teacher contract and regulation by the central school office. In effect this represented an experiment with outsourcing the operation to several different kinds of school managers to test whether they could produce better educational results than the district had produced in neighborhood schools. Wary observers called it "the nation's largest experiment in the private management of public schools" (Gill et al. 2007, xi).

The experiment did not yield positive results. One evaluation after another concluded that the EMOs produced no greater academic gains for students than were being achieved by traditional district schools. Johns Hopkins University researchers found that "privatization has been an expensive experiment in Philadelphia. So far this experiment has not paid off

by producing better math achievement in the privatized schools" (Lubienski and Lubienski 2005, 698). The RAND Corporation similarly reported that privately managed schools produced no higher test scores than district-managed schools (Gill et al. 2007). And an independent panel set up to track the progress of the Philadelphia experiment concluded in 2007 that there was little evidence that the EMOs running more than forty schools were making any greater progress than district schools, despite the fact that they disposed of more resources than the district schools (Snyder 2007). By 2011 the SRC had terminated EMO contracts for all but a few of the original forty-two demonstration schools.

### **Proliferating Charter Schools**

At the same time that Philadelphia was gradually abandoning the practice of hiring educational managers for public school buildings, a different kind of educational experiment, the charter school movement, was spreading rapidly. Charters are independent schools that are authorized by government to provide education for students who choose them instead of enrolling in neighborhood schools. The "charter" received from government allows the independent schools to operate so long as they demonstrate that they are effectively educating the students they serve. Charter schools may be established by community groups or professional organizations who want to give families an alternative to sending their child to the designated neighborhood school.

The Pennsylvania legislature first opened the door to charter schools around the same time as the takeover of the Philadelphia schools, clearly motivated by the same frustration with the inability of Philadelphia and several other urban districts to deliver effective education with the resources available to them. Having lost confidence in superintendents to manage their districts effectively, state officials joined a national trend toward giving individual school buildings more autonomy to manage their own affairs. Unlike EMOs hired by central administrators to manage school buildings, independent charter schools would be allowed to choose their own locations, principals, and teachers and recruit their students from a wide area (as opposed to serving only the children living in a specific catchment area). In contrast to EMOs, all charter schools in Pennsylvania had to be governed as

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nonprofit corporations. It is worth noting, however, that quite a few nonprofit charter schools that were formed to pursue particular curricular or pedagogical innovations have signed contracts with for-profit EMOs to handle administrative functions. In that sense, profit-making businesses play a sizable role in those aspects of charter operations, but the ultimate responsibility for the charter school resides in its nonprofit board.

One of the most important reasons for the legislature to authorize nonprofit charters was that they represented a compromise when the Republican governor had to retreat from his preferred measure, which would have created school vouchers. During the 1990s Governor Tom Ridge had doggedly pursued vouchers. The governor's failed proposals would have sent taxpayer dollars to parents who chose to enroll their children in private schools, including religious schools, to defray the cost of tuition. Many critics opposed the use of public funding for parochial schools. Others disliked a provision allowing families to use the voucher to enroll their children in public schools outside their own district; that provision would have given Philadelphia families the option to use vouchers to enroll their children in nearby suburban districts, a prospect that alarmed suburban legislators. Suburban superintendents argued they did not have enough open seats to accommodate transfers and did not want to build more classrooms for nonresidents.

Although Governor Ridge did not succeed with his voucher proposal, he went back to the legislature for a bill enabling local districts to create charter schools. This time he got unexpected help from a pair of Democratic city legislators. Both were African American members representing sections of Philadelphia where public schools were failing their constituents. Both had expressed frustration with the city government, the district administration, and the teachers' union, and had put forward their own proposals to little effect. Representatives Dwight Evans and Anthony Hardy Williams saw the adoption of the charter bill as at least a step in the right direction, even though it delivered no new funding to the city. In exchange for a few concessions, the two agreed to lobby their fellow Philadelphia legislators to vote for the bill. In the end the two delivered positive votes from twenty of the twenty-two Democrats in the Philadelphia delegation, and the legislation passed (Eshleman 1997).

The Pennsylvania law gave local school districts the responsibility to review and approve (or deny) charters for applicants who wanted to operate independent nonprofit schools. Once chartered, each school's governing

board has responsibility for the operation of the school, including budgeting, curriculum, operating procedures, and hiring and firing of employees. Charter schools must accept all students who apply, using a lottery if there are more applicants than available places. Since the school's charter is awarded only for a specified time period, its performance must be reviewed whenever the school wants its charter renewed. Despite those periodic reviews, the assumption undergirding the charter movement is that the most important check on school performance is the one exercised by the families who choose to enroll their children in the school, for parents can withdraw their children from unsatisfactory charter schools if they wish. The model assumes market accountability rather than accountability to the broader citizenry. Hence requirements for reporting to government (and thus to citizens and taxpayers) are looser for charter schools than for traditional public schools. (I will return to the issue of monitoring later in this chapter.)

As separate organizations outside the school district, charter schools are exempted from a number of regulations and requirements imposed on traditional public schools, even though they are financed with taxpayer dollars that come out of the school district's budget. For example, charters may hire some teachers who lack Pennsylvania certification, and charters need not honor the district teachers' union contract. Since charter schools must compete to attract enrollments, free market proponents assumed the competition from charters would force the regular district schools to improve themselves in order to keep enrollments from migrating to charter schools.

In the late 1990s few observers predicted how quickly charters would multiply. To the surprise of many critics of privatization, charter schools quickly gained popularity in urban districts, including among African American families who were deeply dissatisfied with the schools their children attended. As in other U.S. cities, many concerned parents preferred the role of educational consumer to that of constant petitioner for improvements from a district that seemed unwilling or incapable of responding (Pedroni 2007). One of Philadelphia's longtime political observers wrote in retrospect, "When the charter law passed in 1997, no one thought it would amount to much. The teachers' unions went along with the idea as less injurious to their monopoly than vouchers. That was a mistake" (Ferrick 2011).

Over the past fifteen years the School Reform Commission established by the state government has approved more applications each year from potential operators who want to establish new schools in Philadelphia. Many

charters have been organized around a theme or special focus, for example, technology, architecture, literacy, math, science, or international affairs, or a multicultural or Afrocentric curriculum. From the initial four charters approved in 1998, the number climbed to more than fifty charter schools in 2004. By 2013 eighty-six schools were operating in Philadelphia, serving over one-quarter of all children attending taxpayer-supported schools.

### Building the Portfolio Model

In late 2011 Philadelphia launched a vehicle for school improvement called the Great Schools Compact, intended to guide the city toward a governance model that had already been adopted in a number of U.S. cities, among them New Orleans, Chicago, and New York. Less far along but still moving gradually in this direction were Baltimore, Cleveland, Los Angeles, and Oakland. This so-called portfolio model is aimed at continuous improvement in operating urban school districts by expanding the options of different school types and allowing schools more autonomy than traditional school districts are allowed. Portfolio districts promote competition and choice as key elements of schooling; in effect they create an educational marketplace. They focus their efforts on investing in high-performance schools, whether public, charter, or private.

Since increasing numbers of schools operate independently, one might wonder what role the portfolio model assigns to the superintendent and the district office. Superintendents manage the decentralized portfolio with a smaller management team than traditionally employed by the school districts. They oversee the contracts that pay different school providers to run their buildings. Their main responsibility is to assess the relative performance levels being achieved by the different schools and to constantly redirect resources from low-achieving or underenrolled schools to successful or improving schools. In this model it is assumed that low-achieving schools should be closed. District leaders become the equivalent of managers tracking a financial portfolio who work continuously to eliminate “underperforming assets,” releasing money to invest in higher performing assets. Portfolio districts seek continuous improvement via “expansion and imitation of the highest-performing schools, closure and replacement of the lowest-performing schools, and constant search for new ideas” (Hill et al. 2012, 11).

Needless to say, this approach to governing schools requires the application of common performance standards, reinforcing the regime of universal standards and testing that has pervaded public education since Congress introduced the No Child Left Behind Act.

Philadelphia’s adoption of the portfolio model became official with the signing in late 2011 of the Great Schools Compact. It brought together the state Department of Education, the city school district, the mayor, and two coalitions of charter school operators. Their shared goal was to replace the poorest performing quartile of schools (including both traditional neighborhoods schools and charter schools) with high-quality alternatives by 2016–17. They estimated that this would require eliminating about fifty thousand existing seats and replacing them with the same number of new seats in higher quality schools. The mayor publicly acknowledged the state’s influence on this move, hailing it as a sign of improving relations with the state government: “We want our partners in Harrisburg to know that we are doing everything we possibly can on the ground and in partnership with the state to improve the quality of education here” (Mayor Michael Nutter quoted in Snyder 2011). The compact was a bold enough initiative to win a \$100,000 planning grant from the Bill and Melinda Gates Foundation, mainly because the compact expressed the signers’ intention to “work together, not against one another, to expand the availability and types of high-quality options” (PGSC 2011, 1).

The Great Schools Compact even includes Catholic schools. The archdiocese of Philadelphia, not an original signer of the pact, decided in spring 2012 to join. That made sense to planners because it had become clear that children frequently migrate across the boundaries between Catholic and public schools. Recognizing that families often consider both public and parochial options, the Compact promotes a single application form that families can use to apply to Catholic or district high schools other than their neighborhood high school, as well as charter high schools. This requires all the participating high schools to adopt the same application deadline date. Changes like these deliberately communicate to parents and other public audiences the blurring of boundary lines between the different school sectors.

In other large cities the shift to a portfolio model has been accompanied by a substantial infusion of new money (Research for Action 2012). Given the Philadelphia district’s constant budget deficits, observers wondered where the new money would come from to bankroll this venture. They soon learned

that, as in many parts of the United States, wealthy donors had entered the picture to raise money to support their vision of a stronger school system. In 2010 a group of businessmen formed a nonprofit organization called the Philadelphia School Partnership (PSP) to raise private funds to improve the city's schools. The suburban businessman chairing the new venture said he and the other founders wanted "more students graduating from high school and college, a stronger economy, and a more vibrant future for Philadelphia" (Michael O'Neill quoted in Woodall 2010a). They planned to use the money they raised to donate to all types of schools—including parochial and other private schools, charters, and public schools—based on the schools' intention to adopt what they viewed as promising practices. They regarded their role as investors, deciding on grants through their investment committee. PSP's executive director explained to the city's business journal, "Our approach here is a lot like venture capital or private equity" (O'Donnell 2012).

The initiative was led by wealthy suburban activists. Among PSP's sixteen-member governing board, only three lived in Philadelphia, while the rest lived in the suburbs or beyond. Their initial goal was to raise \$100 million to invest in the city's high-performing schools. Since 2010 they have secured over half that goal in donations, which they have used to grant over \$30 million to a collection of charter schools, Catholic schools, and magnet public schools. Almost no support has reached traditional neighborhood schools. The money has come from a combination of sources, including several PSP board members and other wealthy individuals, corporations, and foundations. Some \$10 million has come from donors in other parts of the nation, including the Walton Family Foundation (Arkansas), the Michael and Susan Dell Foundation (Texas), and the Bill and Melinda Gates Foundation (Washington). PSP's profile rose so quickly in the city that the signers committed to the Great Schools Compact chose PSP to act as the administrative office for their effort to build the portfolio model in Philadelphia. PSP became the fiscal agent for the Compact, submitting proposals for grant funding and carrying out the Compact's day-to-day business. In effect a nonprofit organization governed by a largely suburban board was taking responsibility for reshaping the educational landscape in Philadelphia.

Why do wealthy suburban businesspeople care this much about the future of schools in Philadelphia? To answer this, it is helpful to consider the national picture. Across the country corporate leaders and other powerful and wealthy individuals from both the Democratic and Republican parties

have adopted the model of choice and competition as the most likely path to improve weak school systems around the country. Just two examples will illustrate that the commitment to school choice is spread across the political spectrum. A national political action committee called Democrats for Education Reform has contributed heavily to state campaigns around the country to elect governors and legislators who would be friendly to charters (Gabriel & Medina 2010). The committee is led by a board dominated by hedge fund managers. A more Republican-leaning group, the American Federation for Children, pursues an agenda that emphasizes a more extreme form of school choice. It calls itself the "Nation's Voice for School Choice," by which it means vouchers. The group describes its vision this way: "The American Federation for Children seeks the fundamental transformation of public education through parental choice. We believe public education must be defined as providing families, particularly low-income families, with the public funding they need to choose the education they determine is best for their children" (<http://www.federationforchildren.org/mission>). American Federation for Children has played an important role in voucher campaigns in Indiana, Pennsylvania, Florida, and elsewhere. They distribute model legislation to activists around the country who are lobbying for vouchers in their own states.

Observers of the portfolio model regard the linkage between local efforts and these national coalitions as almost inevitable. Portfolio models tend to expand the geographic focus of local school leaders because locals find themselves soliciting support from many outsiders beyond their traditional local political allies. In that way they become attached to a widespread network of education-oriented associations, think tanks, business interests, and venture philanthropists. An important advantage to local activists of connecting to those state and national networks is "to buttress their efforts and portray local opponents as parochial and out-of-date" (Henig 2010, 50).

The political arena now contains more than a dozen national organizations promoting various forms of government-supported school choice. They seek a new way of financing independently operated schools that is unlike the traditional private school sector in the United States. For more than a hundred years private schools have been funded by religious denominations, wealthy donors, and tuition-paying families to provide an alternative to publicly funded schools. The twenty-first-century brand of privatization differs from that older model in that it focuses on how communities spend

*government* dollars on schooling. While wealthy donors are investing significant private money to build educational markets that offer choice, they expect the resources needed subsequently to operate the educational marketplace to come from taxpayers.

That ambition to channel tax dollars into independently operated schools has drawn both exuberant praise and fierce condemnation from education commentators. Journalist Steven Brill (2011) has written admiringly about the coalition of foundations, wealthy financiers, and President Barack Obama's Department of Education driving the "education reform movement" to promote school choice and competition. On the opposite side, Diane Ravitch (2010, chapter 10), a research professor at New York University and former assistant secretary for education under President George H. W. Bush, has roundly condemned the growing influence of money invested in education politics by what she labels the "Billionaires Boys Club." Both commentators emphasize the disproportionate role played by wealthy businessmen employed by financial firms, especially hedge funds, who are bankrolling the shift toward school choice. What motivates them? They are keenly aware of the value of education in fueling economic growth. School choice offers an opportunity to address a major social problem by applying a market-style approach: reduce regulation, provide customers with choices, and weaken unions. (The vast majority of charter, private, and parochial schools are not unionized.) In short, many of these wealthy financiers support changes in schooling that are consistent with their business experience in the marketplace (Scott 2009).

A prominent group of financial managers in the Philadelphia suburbs shares these values and works to propagate them, both nationally and in Pennsylvania. Susquehanna International Group (SIG) is a privately held global investment, trading, and technology firm headquartered in Bala Cynwyd, a western suburb just beyond the city border. SIG was founded in 1987 by six partners, three of whom have become prominent activists in conservative causes. Joel Greenberg and two of his fellow partners in SIG, Jeffrey Yass and Arthur Dantchik, also established their own political action committee, called Students First. Together the three financial managers contributed \$5 million to bankroll a candidate supporting vouchers who ran for Pennsylvania governor in 2010 (unsuccessfully). They also contributed to the campaigns of legislative candidates who supported vouchers. Greenberg and his partners furnished the entire financial support for a political

action committee called Fighting Chance PA, a Catholic coalition that supports vouchers as a way to save the financially distressed network of parochial schools in Philadelphia and elsewhere in Pennsylvania. That committee supports state lawmakers who are pro-voucher. The three suburban founders of SIG and their families are active not only in state politics but at the national level as well. Greenberg is one of the five board members of American Federation for Children who govern the national organization promoting vouchers, mentioned earlier. Dantchik helped found the Institute for Justice, a libertarian legal group that supports vouchers. Yass serves on the board of the Cato Institute, a conservative think tank supporting school choice. His wife, Janine Yass, is a board member and officer of the national Center for Educational Reform in Washington, a group that lobbies legislatures around the country on behalf of school choice.

This suburban group has staunchly supported school choice for the city of Philadelphia. Janine Yass is a board member and financial contributor to the Philadelphia School Partnership, the nonprofit that is administering the Great Schools Compact and building the portfolio model. Students First has distributed campaign contributions to four members of the Philadelphia City Council, giving each politician the maximum allowable by law. Those contributions prompted a political columnist to predict, "Those big 2011 Students First contributions could foreshadow a bigger role for the PAC in upcoming city elections. . . . Philadelphia is fast becoming ground-zero for the national school reform debate, a debate where Students First has a powerful voice" (Kerkstra 2012).

### The Role Played by Foundations

Another important influence on the future of Philadelphia schools is the foundation community. The current reform thrust toward school choice and portfolio models is not the first wave of school reform to be promoted by foundations. In the mid-1990s the Annenberg Foundation offered to donate \$50 million to support school reforms in Philadelphia if the region's major business coalition would contribute \$100 million. The foundation wanted to support the superintendent's proposal to divide the massive school system into twenty-two clusters—small groups that include one high school along with its feeder elementary and middle schools. The goal was to provide

continuity for children from kindergarten through twelfth grade. A key to the new structure was small learning communities at all grade levels.

Private donors to that effort were wary of handing the money directly to the school district. An example is Philadelphia's largest foundation, the Pew Charitable Trusts, which offered \$9 million toward the initiative. Pew had been frustrated when making previous grants to the schools because the district had no real system to assess what children were learning. So the foundation made its gift to a private nonprofit, the Philadelphia Education Fund, relying on that independent organization to develop standards for assessing student performance. The school district had to agree to adopt these standards written by outsiders in order to secure the foundation's contribution. A political columnist labeled the arrangement "checkbook democracy" because it transferred the power to create learning standards from government to a nonprofit organization (Byers 1996). That kind of purposeful, strategic approach to foundation grants has become more common since the mid-1990s. Increasingly funders have adopted their own strategic objectives as opposed to responding to the objectives of grantees. Reforming public education is a widely shared goal of both national and local foundations. To pursue that goal, foundations have preferred to channel funds through nonprofit intermediaries instead of giving money directly to school districts (Reckhow 2010, 287). A poll taken in 2011 by Delaware Valley Grantmakers found that the sixteen regional funders who give money for education in Philadelphia preferred investing in education through nonprofits instead of making direct grants to the school district. Among the most supported grantees have been nonprofits working in schools, intermediary organizations, and charter schools. Among the least supported were the school district and the city government's office of education (DVG 2011).

The nonprofit Philadelphia School Partnership, described earlier, has tried to capitalize on funders' preference for intermediaries. PSP applied for and was granted \$2.5 million by the Gates Foundation to support coordinated efforts among neighborhood schools, charter schools, and parochial schools. That effort was rewarded when Philadelphia was selected in 2012 for a further grant as one of seven cities that split a total of \$25 million from Gates. To qualify for the money all seven cities signed district-charter collaboration compacts. The Philadelphia grant supported training for principals and teachers in all types of schools and the creation of tests aligned with the new Common Core standards adopted by schools around the country.

Those Common Core standards had themselves been developed nationally with heavy financial support from the Gates Foundation (Greenblatt 2011), so in effect Gates was using its 2012 grant to incorporate Philadelphia and six other cities into its national agenda. One feature that probably helped Philadelphia's application was that its district is run by a mostly state-appointed group of commissioners rather than an elected school board. National foundations like Gates tend to favor districts that are run by state entities like Philadelphia's School Reform Commission because state officials are not as susceptible to local interest group pressures that might stall efforts to overhaul schools (Reckhow 2010, 278–79).

Regional foundations have also supported the Philadelphia School Partnership. The William Penn Foundation contributed \$15 million, the largest single gift received by PSP. Although the high dollar amount caused considerable comment among school activists, it was hardly surprising that this regional foundation would support the portfolio model since its president had long championed charter schools, having spent seven years chairing the nonprofit board of Mastery Charter Schools.

### Emptying Out the Neighborhood Schools

Most evaluation concerning state takeovers and school privatization has focused on the academic performance of charter schools compared with traditional neighborhood schools. While that is surely a critical question, it is not the central question of this chapter. Instead my focus is on the role that actors outside the city have played in changing the governance structure, fostering school choice, and shifting responsibility to independent schools. In particular I focus on a little-discussed consequence of these trends: the land-use impacts of shifting to a market model of urban schooling.

State officials were intent on creating a market-driven solution to the education problems faced by Philadelphia and other distressed districts in the state. The system they designed did not guarantee any enrollments to charter schools but rather called upon charter operators to compete for enrollments and therefore (they reasoned) to offer families the highest quality services they could produce with the available resources. The goal was to create an open market in education—so open that the state decreed that charter schools in Philadelphia could recruit and accept enrollees from

suburban districts if spaces were available after giving first preference to Philadelphia students.

Charter schools have competed more successfully than even their creators expected. Among the nation's big cities, by 2013 Philadelphia ranked third (behind only Los Angeles and New York) in the total number of students enrolled in charter schools, and ranked eighth in the percentage of all district students being served by charters (NAPCS 2013). In only fifteen years Philadelphia's charter schools had built a student enrollment that exceeded forty thousand; in 2012 an additional ten thousand students were enrolled in district buildings managed by charter operators under contract with the district. Adding those numbers together, we see that charter operators had gained responsibility for over a quarter of all taxpayer-supported enrollments in the city.

How can we explain the exponential growth of charter schools? School watchers disagree on whether families choose them because they think charters will yield better academic results for their children. As in other parts of the country, research in Philadelphia has *not* shown that charters on the whole achieve better academic results than traditional neighborhood schools (CREDO 2011; Zimmer et al. 2008; Zimmer et al. 2012). But we know that families also take other factors into account, such as school safety and discipline, the longer school day and year in some charters, the contact that schools maintain with families, and the schools' responsiveness to parent inquiries and concerns. In a portfolio school model like the one Philadelphia is building, parents face an increasing burden in collecting information about all their choices. Since it is difficult for researchers to know just how much information parents possess about schools, it is also hard to isolate the specific reasons for parental choice. Yet there is no doubt about the result. Figure 4 displays the constant upward trend in charter enrollments during the most recent decade, even as enrollments in both the district's neighborhood schools and the Catholic schools declined.

As figure 4 shows, the city's neighborhood schools lost about fifty thousand enrollments in the space of a decade. While that loss is partly attributable to declines in school-age population in many parts of the city, it is also due to the exodus of children who left neighborhood schools in what one local report called a "slow-motion stampede" (Ferrick & Horwitz 2010, 8). A 2011 district-commissioned study analyzed demographic and enrollment trends and the utilization of school buildings and estimated the excess

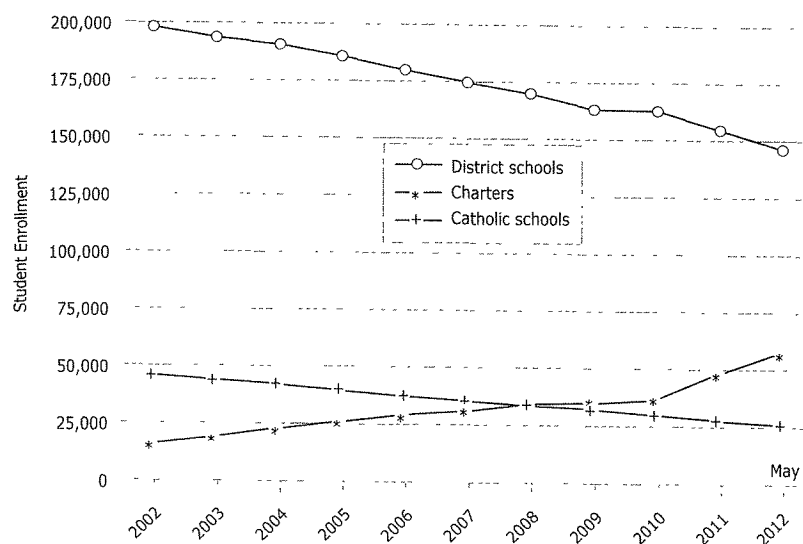


Figure 4. Trend in enrollment in Philadelphia district, charter, and Catholic schools, 2002–12. Source: Philadelphia Research Initiative, "Philadelphia: The State of the City—2012 Update" (Philadelphia: Pew Charitable Trusts, March 31, 2012), 11.

capacity at about seventy thousand seats (URS Corporation 2011). The study predicted that enrollments in traditional district schools would continue declining, while charters would keep growing, leading inevitably to the conclusion that the district must close down some of its schools.

That was a politically difficult step to take in a district that had not engaged in large-scale closures since the early 1980s. From 2000 to 2010 the number of school buildings had mushroomed from 281 to 355, as charter schools were added to the already existing inventory of buildings. For decades the district had been closing perhaps one school a year when buildings became obsolete. Faced with a much larger number of closures, the School Reform Commission approached its unpopular task in stages, closing only a half-dozen schools in summer 2012, but then forging ahead to close twenty-four more in summer 2013. The criteria used to select schools for closure included their academic performance, in keeping with the Great Schools Compact that committed the city to close seats in low-performing schools. The other main criteria used to make the difficult choices were the number of vacant seats, the cost per student to operate the school, and the building's

physical condition. As contentious as they were, these unpopular closings boosted the district's overall rate of building utilization to only about 75 percent. Fully 25 percent of seats remained unoccupied.

The city's Catholic schools suffered similar enrollment declines in recent decades. The regional network of schools operated by the archdiocese of Philadelphia has shrunk from 261 to 173 in the past twenty years. Despite eliminating all those schools, by 2012 it was clear that even more closures were inevitable, given that enrollments in parochial schools had dropped 40 percent just since 2000 (recall figure 4). The Church formed a commission to study enrollment patterns throughout the archdiocese, whose scope extends well into the suburbs surrounding Philadelphia. Parochial schools had lost enrollment not only because Catholic families had moved out of the city but also because charter schools offered another option to families looking for an alternative to neighborhood public schools. And charter schools charged no tuition, a distinct advantage over parochial schools.

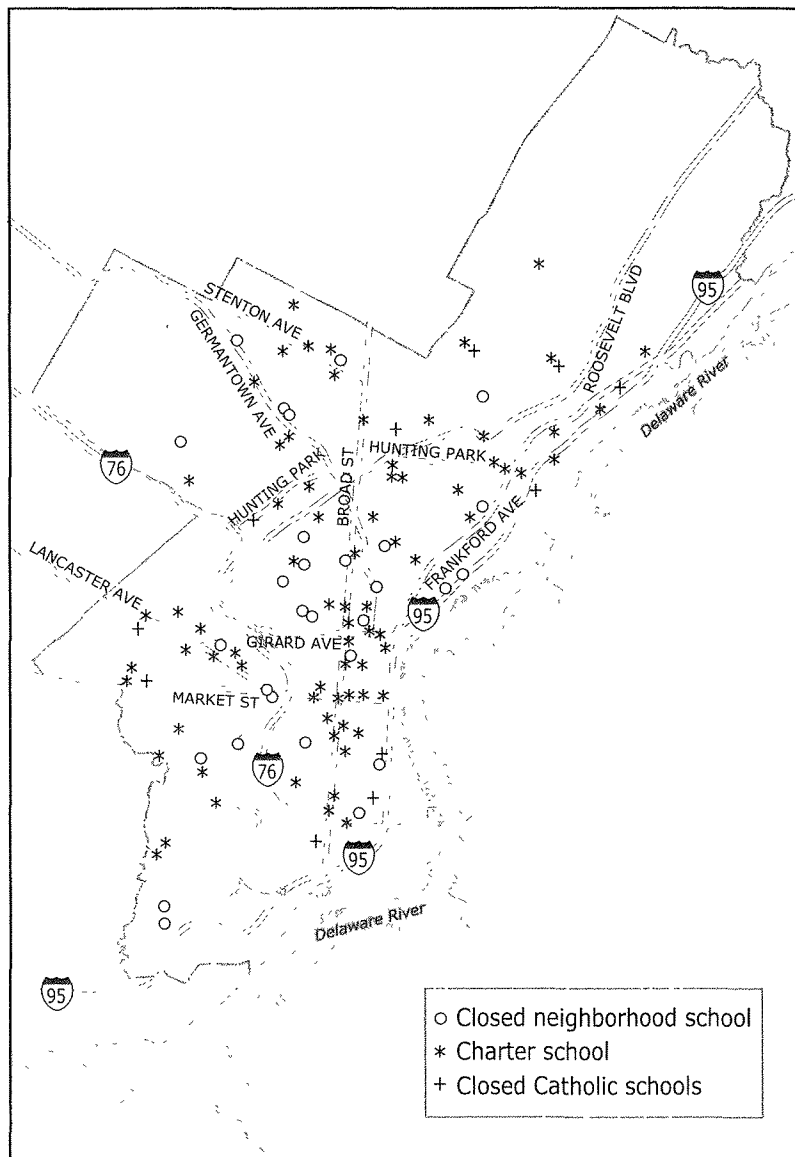
The Blue Ribbon Commission (2012) that planned the fate of the entire network of diocesan schools, both urban and suburban, contained only one Philadelphian out of sixteen regional members. It recommended closing thirty-six schools in Philadelphia and thirteen in the suburbs. But public reaction was so strong and so emotional that the archbishop sought a way to preserve some of those targeted schools. He was helped by a group of businesspeople who had already taken over the operation of one inner-city school serving low-income children. That group (consisting of two Philadelphians and ten suburban members) volunteered to adopt thirteen parish schools in Philadelphia, including some of those targeted for closure, into a new non-profit organization called Independence Mission Schools. They pledged to try to save those city schools by "combining the best attributes of a Catholic education with lean, entrepreneurial business management practices and academic accountability" (Woodall 2013a). The Independent Mission Schools gained some financial support from another business-led organization called Business Leadership Organized for Catholic Schools (BLOCS). The largely suburban board of BLOCS (thirty-two out of thirty-six members were from the suburbs) had for a number of years raised over \$3 million annually in scholarship funds for Catholic school students. That scholarship aid came mainly through a state program giving businesses state tax credits for contributing to charitable educational causes, a policy clearly intended to assist private and parochial schools. Seeing the distress of the city's schools,

BLOCS created the Urban Endowment Initiative to help more schools become independent so they need not rely on subsidies from the archdiocese. As the group's executive director explained, they were determined to preserve school choice for families trapped in failing neighborhood schools: "In many of these schools, the majority of their students are not Catholic, are living in poverty, and they're just looking for a good education" (Joseph Garecht quoted in Fiedler 2012). Even with this support, however, the archdiocese was ultimately forced to close a dozen Philadelphia schools, mostly in low-income communities.

### **Reshaping the Educational Landscape: Effects of the Closures**

These massive enrollment shifts are changing not only school operations but also school locations. They are reshaping the education landscape by changing land-use patterns. While there is no reason to think this was the intention of state lawmakers pursuing school choice, geographers could certainly have told them that market structure invariably influences land-use patterns. When they established an educational marketplace featuring competition, lawmakers appeared unconcerned that charter school operators would make different location choices than the ones made by traditional school administrators.

Traditionally school buildings have been built where the school-age population lives, and yet we know that school populations can shrink dramatically in certain neighborhoods, particularly where poverty and crime drive families to seek other places to raise their children. Figure 5 shows the locations of the older schools being closed by the school district since 2012 (marked by circles). It shows that the communities of North Philadelphia sustained especially large losses. The combination of closures in summer 2012 and 2013 brought the total to ten schools, more than any other section of the city. Here, as in other large U.S. cities, school closures have disproportionately occurred in neighborhoods like North Philadelphia, where the population is predominantly African American and Latino. That led activists in Philadelphia, along with Detroit and Newark, to lodge a civil rights complaint with the U.S. Department of Education (Hurdle 2013), asserting that the pattern of closures is discriminatory. The Department of Education



**Figure 5. Locations of charter schools in relation to closures of district and Catholic schools, 2012–13.** Sources: School District of Philadelphia, “School Reform Commission Approves Facilities Master Plan,” March 7, 2013, <https://webapps.philasd.org/news/display/articles/1458>; Archdiocese of Philadelphia, “2012 School Report,” June 30, 2012, <http://www.catholicschools-phl.org/uploads/School-Report.pdf>.

agreed to investigate the complaint but made clear that it has rarely halted locally determined school closings.

It is difficult for complainants to substantiate charges of racial discrimination because districts can point to objective criteria they have used to make decisions. In the case of North Philadelphia, the school district’s most recent study of enrollment patterns across the city showed that fewer than half of the available seats were occupied in the schools in Lower North Philadelphia (SDP 2011). That is the lowest utilization rate found in any part of the city, partly because the neighborhoods of North Philadelphia lost substantial population in recent decades but also because so many families have decided not to enroll their children in neighborhood schools. Instead they have chosen district magnet schools, parochial schools, or, increasingly, charter schools.

Making independent choices about where to locate, charter operators are shifting enrollments out of residential neighborhoods and into buildings that are clustered in the center of the city and along the city’s major commercial corridors. Figure 5 (which marks charter school locations with asterisks) shows that a disproportionate number of charter schools have chosen locations in Center City, probably because it serves as the city’s main employment hub. Parents who work downtown find it convenient to enroll their children in a school close to their workplace. Beyond this cluster many charter schools have chosen locations along the city’s main commercial corridors.

A number of factors account for this geographic pattern. First, charter operators benefit from choosing locations with good transportation access, which means parents can easily drop off children on their way to work and school buses can easily deliver children. Starting in seventh grade, students can conveniently take public transportation to these locations using subsidized transit passes that allow them to ride on subways and buses. Since they operate in a competitive marketplace, charter schools want to be accessible to the widest possible audience. Schools that enroll students from long distances gain an advantage by locating on major transportation routes.

Second, commercial corridors offer large, affordable spaces for lease or sale. Charter operators must find physical facilities on the open market. Typically they have difficulty securing mortgages to buy property because their operating charters are guaranteed for only five years, with a possibility, but not a certainty, of renewal. On commercial corridors they can rent large, empty, affordable buildings whose landlords are glad to have them as tenants.

Third, charter operators are aware of the importance that parents attach to the safety and security of their children, not only in the school buildings but in the immediate vicinity. Commercial corridors provide the advantage of heavy foot traffic and a constant presence of adults around school buildings.

Fourth, charter operators are less likely to encounter neighborhood opposition to opening a school on a commercial street than on a neighborhood block. Schools that attract students from long distances may generate significant traffic or increase the demand for parking—a prospect that may be opposed by neighbors in residential areas. Those same charter schools are unlikely to generate resistance if they move onto commercial corridors. In fact they may be welcomed as productive tenants for previously vacant properties.

In sum, the charter school locations in figure 5 make perfect sense from the market perspective of school operators who are competing for enrollments and therefore must take into account business concerns like transportation access and availability of affordable space. But those choices are changing the geographic distribution of education, as school buildings are closed in residential neighborhoods while charter schools multiply in market-dictated locations. That pattern of location choices weakens the historical links between public schools and their surrounding neighborhoods. This result should not surprise us. After all, the whole point of school choice is to release families from the need to send their child to the neighborhood school. According to a 2010 poll of Philadelphia school families, fully 36 percent of district parents reported that their children did not attend the closest public school (Ferrick & Horwitz 2010). That number has steadily risen with the shift to an educational marketplace.

The closure of a dozen of the city's Catholic schools in summer 2012 also removed important neighborhood anchors. Figure 5 marks the locations of Catholic school closures with a cross. According to urban historians, the presence of parish churches and schools in city neighborhoods during the twentieth century encouraged Catholic families to stay in areas they otherwise would have abandoned (Brinig & Garnett 2010; Gamm 2001). When closing school buildings, the archdiocese has asked affected families to switch to other Catholic schools, yet many have not done so. Nor have they automatically enrolled their child in the neighborhood public school. Since these families were accustomed to making choices for their children, many have sought a charter school option. The mayor's chief education officer has estimated that as many as a third of charter students in Philadelphia have

come from outside of district schools, mainly from the Catholic system (Lori Shorr quoted in Jablow 2013).

Shuttering neighborhood schools not only removes an important educational and social institution; it imposes the additional burden of a blighting influence exerted by vacant and abandoned school buildings. The city controller conducted a spot audit in late 2011 of eight unused school buildings that had been vacated between 1998 and 2010 and found conditions ranging from unpleasant to dangerous: two had become drug havens, collecting empty syringes and piles of garbage; three were the sites of reported crimes such as robbery, theft, and assault; and three more had serious structural problems, including exposed rebar and broken and falling cement (Butkovitz 2011). If left untouched, the controller warned, these buildings would become greater threats to health, safety, and property values.

Both the school district and the archdiocese want to sell their vacant buildings. How difficult will that be? School districts across the country have found it a daunting task. In theory there are many conceivable reuses, including retirement housing, luxury condominiums, day care centers, art studios, and business incubators. Yet a recent study of reusing shuttered school buildings in twelve U.S. cities found that local districts could find buyers for fewer than half the vacant buildings they wanted to sell (Philadelphia Research Initiative 2013b). As with all real estate transactions, the key to repurposing old schools is location. Developers have shown considerable interest in a few of the properties in privileged locations. The district has already found a buyer for a complex of several buildings in the heart of University City. A joint venture formed by Drexel University and Wexford Science and Technology will purchase the complex to convert to a mixed-use development including educational laboratories and offices, residential, and retail spaces. But properties in many lower income neighborhoods are less attractive to developers, and therefore those already disadvantaged neighborhoods are further burdened by large, long-term vacant buildings.

One sales strategy considered by the school district was to sell the entire portfolio of vacant school buildings to a single buyer. Such an offer came unexpectedly in fall 2013 from a Washington real estate investment firm that bid \$100 million for the entire vacant inventory. The advantage to the district was that bundling all the properties into a single transaction guaranteed the sale of the least attractive buildings, since the buyer would have to take them in order to get the choice properties. Yet the district declined

the offer because it would have violated a district policy, that selling closed buildings requires citizen input before the properties can be repurposed (Graham & Graham 2013).

In some neighborhoods residents would like to see the shuttered buildings sold to charter school operators, yet few charters have purchased vacant schools. For one thing, the average age of the buildings for sale by the district in 2012 was ninety-one years, and those vacant buildings were likely to be in a state of serious disrepair. That is because one of the SRC's criteria for selecting schools to close was the relative expense of repairing them to reasonable standards after decades of neglect. Furthermore, as already noted, the charter schools' business model does not incline them to locate in the center of residential neighborhoods. Lamenting the difficulty of selling large old neighborhood schools, analysts observed that such buildings "would be better candidates for commercial or institutional conversion if they were on busy roads or commercial corridors" (Philadelphia Research Initiative 2013b, 7).

Although the state-dominated School Reform Commission has aggressively promoted charter growth since 2001, the dramatic drain of students and dollars away from the district has begun to cool the SRC's enthusiasm for charters. Every additional enrollment in a charter school legally compels the district to transfer about \$8,000 from its budget to that charter school. Those losses, along with mounting evidence that many charters are performing poorly, have prompted the SRC to try to control their rapid growth. Pennsylvania's original charter legislation in 1997 prohibited a district from imposing enrollment caps on schools. But since 2008 state law has held that it is legal to cap enrollments if the limits are mutually acceptable by the district and the charter. The SRC began introducing such caps into renewal agreements in recent years, only to find that the charter operators, who appeared to have accepted the limitations during negotiations for renewal, subsequently violated those caps by adding more students than the negotiated agreements allowed. In such disputes between charter operators and schools districts, the state's procedures have favored charters, withholding money from the district in order to pay charters for their reported increases in enrollments. The SRC has sued for the return of that money, but charter operators have resisted, claiming that the limitations written into their charters were imposed on them rather than "negotiated" willingly. The SRC lost the first case when the state court ruled the district had illegally capped a charter's enrollments (Woodall 2012a) but is still fighting similar cases

against other charters because the principle is so important to the school district. If the SRC can succeed in slowing charter expansion, that may help ease the burdens created for neighborhoods when enrollments shift away from their local schools to more distant charters.

Slowing charter expansion, however, may have the unintentional effect of hampering the district search to find alternative uses for the buildings it is closing. That became clear when the Philadelphia School Partnership offered to grant \$1.6 million to the Knowledge Is Power Program (KIPP), a national charter school network operating several schools in Philadelphia. In offering the grant PSP made clear it was contingent on the school commission approving KIPP's application to expand its student body by nine hundred seats. The PSP director openly acknowledged that he was using the prospect of this investment to persuade the district to expand the number of charter seats (Herold 2013). When the school commission denied the request for additional seats, KIPP responded by withdrawing its offer to purchase a vacant school building in North Philadelphia.

Another strategy with the potential to salvage some neighborhood schools is an experimental hybrid that combines the advantages of neighborhood locations with charter school models. The SRC has contracted with successful charter operators to take over some traditional neighborhood schools in a new hybrid form dubbed Renaissance Charter Schools. The particular buildings chosen for this experiment are among the lowest performing in the district. The charter organizations chosen to take them over are operators who have already established a successful track record in Philadelphia. The Renaissance schools represent attempts to maintain schools in neighborhoods rather than closing them down as a response to low performance. Since 2010 twenty schools have been designated to be operated by charters. Some have begun to show academic gains, and they are experimenting with programs to engage the community. For example, Simon Gratz High School, a Renaissance high school serving a poor section of North Philadelphia, draws community residents in its doors with a GED program for adults, a free legal clinic, tax preparation services, and a free food pantry once each week (Westervelt 2013).

While optimists may see geographic changes in the education landscape as a brief upheaval that will eventually settle down, that is not the future scenario implied by the portfolio philosophy: "In a portfolio district, schools are not assumed to be permanent but contingent. . . . A portfolio district is

built for *continuous* improvement via expansion and imitation of the highest-performing schools, closure and replacement of the lowest-performing, and constant search for new ideas" (Hill et al 2009, 1). That means no neighborhood is assured that its local school will remain in place. Even neighborhoods that currently possess successful neighborhood schools cannot count on their permanent presence as anchors of the community.

### Transparency

When nonprofit institutions provide essential public services, their operations are typically less transparent than government's, even when they are spending government funds. The fact that nonprofits function as independent corporations outside government poses a distinct challenge to government's role as the "prime contractor" in the portfolio model. To work properly, that model of continuous improvement requires up-to-date, reliable data on school performance and enough staffing to monitor the information, identify problems, and recommend changes. However, the Philadelphia district does not devote sufficient resources to monitor charter schools because of its tight budget. Half a dozen employees in its Charter Schools Office have responsibility for overseeing eighty-six independently managed schools. The city controller found that this understaffed office neither receives complete information nor conducts thorough annual assessments, as it is mandated to do. He concluded that the office "is only providing minimal oversight of charter schools" (Butkovitz 2010, i).

In the worst cases inadequate financial monitoring has enabled criminal misconduct, as in 2008, when the president of the board and the CEO of Philadelphia Academy Charter School pled guilty to federal fraud charges (Bulkley et al. 2010). After spending several years investigating additional charter schools, a federal grand jury brought indictments in 2012 against a charter operator accused of defrauding three charter schools of over \$6.5 million in government payments (Woodall 2012b). As of this writing, that case is still proceeding.

A more common result of inadequate monitoring is simply that charters are not held accountable for the quality of educational services they provide. In fewer than a dozen cases in fifteen years has the SRC exercised its right to deny renewal to schools, including schools with poor academic perfor-

mance. The result of charters' insistence on autonomy, coupled with lax oversight, was described this way by a frustrated city controller: "Charter schools are an experiment in using private business models in the educational field, but this is not private money. Charter schools are spending tax dollars as if it's nobody's business—as if they were private fiefdoms" (Alan Butkovitz quoted in Woodall 2010b).

Even when nonprofits enter the educational field to spend *private* funds, citizens suspect that people with money are unduly influencing public institutions. For example, in 2011 the School Reform Commission chose to buy out the remaining years of the superintendent's contract at a total cost of \$905,000. The Commission, in collaboration with the mayor, sought to relieve the cash-strapped district from having to pay that entire sum. They solicited \$400,000 in donations from wealthy civic patrons, asking the donors to send checks to the Children's First Fund, a charitable nonprofit that collects private contributions to support the city school district. The donors demanded anonymity, which the SRC was able to promise them because the money was being channeled through a private nonprofit organization. However, when the deal became public, education advocates protested loudly and demanded the release of the donors' names. At a raucous public meeting one speaker captured the crowd's general reaction: "We want to know their intent and their motive. . . . Corporations don't do favors for nothing." At the same time, a prominent government watchdog, the Committee of Seventy, formally demanded the names of donors, warning that "the inescapable message sent by this lack of transparency is that there is something to hide" (Graham 2011). The deal collapsed when the donors withdrew, leaving taxpayers to pay for the entire severance package.

Similar public suspicion was aroused by an episode that involved hiring an outside consulting firm to plan the district's future. The William Penn Foundation provoked stiff public opposition when it gave \$1.5 million of its own money and raised an additional \$1.2 million from other private sources to pay a Boston consulting company to write a plan to restructure the Philadelphia district. That plan recommended closing sixty neighborhood schools, expanding charter schools, massively downsizing the central administrative offices, and outsourcing significant services like custodial and transportation services (BCG 2012). When the report was published in 2012, education activists were outraged by both its recommendations and the process by which a foundation—rather than the school district itself—had commissioned a

plan to determine the future of the city schools. School parents and others were dismayed that the unelected School Reform Commission had colluded in this privatization of school planning. They especially complained that the consulting contract was financed through private channels without public review: “Had BCG (the Boston Consulting Group) gone through public channels, the SRC would be required to make BCG’s contract public. BCG’s specific findings and recommendations, which have never been released, would have been subject to public review. Questions could have been asked about the bidding process, criteria, and scope of work” (Gym 2012). Instead the report was commissioned by a private foundation governed by a ten-member board that included only two city residents; the rest lived in the suburbs or farther away from the city, which fueled a widespread perception that outsiders were shaping the city schools. An observer unhappy about the foundation’s role in reshaping the school district complained, “It is a shadow school district that’s being bankrolled by people who don’t even live in the city” (Denvir 2012).

### Working at Cross-Purposes

This chapter has shown that a combination of state policy intervention along with activism by philanthropists created a tidal wave of change in Philadelphia school governance during the past fifteen years. Those changes dramatically elevated the role of Third-Sector organizations, both at the system level (e.g., the Philadelphia School Partnership that is leading the transition to a portfolio model) and at the school level, where charters have multiplied at the same time that dozens of traditional neighborhood schools have closed. Wealthy suburban activists have brought resources into Philadelphia via the nonprofit Philadelphia School Partnership to construct the portfolio model and to attract additional funds from foundations and venture philanthropists who want to foster an educational marketplace. Affluent suburban Catholics who support parochial education have realized that their interests coincide with school choice advocates who want to channel taxpayer dollars to help families opt for either charters or private schools. And they have stepped up to establish a new nonprofit organization, Independent Mission Schools, to try to salvage more than a dozen inner-city Catholic schools that can no longer be assured of subsidies from the archdiocese.

In reshaping the governance structure of public education to emphasize market models, Third-Sector actors have also been reshaping land-use patterns. Charters have loosened the link between residence and school attendance, giving families choices beyond the neighborhood, and large numbers of families have exercised those options. If this pattern continues, it will become less and less possible for public schools to serve as anchors in city neighborhoods. School buildings can make crucial contributions to neighborhood vitality by providing meeting spaces for community clubs and associations, adult education, job training, athletic leagues, drama clubs, and other recreational and cultural programs, as well as health and social services. Demonstrations undertaken by the Annie E. Casey Foundation (2008) have suggested that these activities can increase parent participation and contribute to community safety. Based on work for the Ford Foundation, Harvard researcher Mark Warren and his collaborator Karen Mapp have argued that if urban school reform is to be successful, it must be linked to revitalization of the communities surrounding schools (Warren & Mapp 2011). Their book uses case studies in Chicago, New York City, Los Angeles, Denver, and other communities to show how community organizers created beneficial collaborations between educators and community residents. Unfortunately Philadelphia charter schools are distributed in a geographic pattern that makes it unlikely they will provide that kind of community-school link. Since most charters cater to larger market areas than neighborhood schools, they have less incentive than neighborhood schools to serve as anchors.

This means that the shift to charter schools is working at cross-purposes with many of the efforts expended by community groups. As charter schools shift enrollments out of neighborhoods, they undermine the efforts of community-based organizations to help those same places recover from the effects of job and population losses. The next chapter will show that nonprofit community corporations are mobilizing substantial outside funding—including significant government support—to preserve and rebuild disadvantaged neighborhoods, even as the charter school movement in many parts of Philadelphia has undermined the very neighborhoods that community development corporations are struggling to rebuild. One group of Third-Sector organizations ends up working in opposition to others in a complicated organizational field where the proliferation of nonprofits has made coordination difficult.