

Competition, Choice, and the Structure of Public Education

On July 25, 1996, Pioneer Institute held a forum that focused on the state and direction of the Boston Public School System. The forum was co-sponsored by the Boston Private Industry Council. Our panelists represented viewpoints that ranged from a positive appraisal of the city's current school reforms, to the opinion that only a fundamental restructuring of the system can bring real progress. Though the panelists have obvious policy differences, they share one characteristic: each is a Boston parent.

Our panelists included:

* **James Peyser** (keynote), Pioneer Institute executive director and member of the State Board of Education

* **Neil Sullivan**, executive director, the Boston Private Industry Council

* **Kristen McCormack**, charter school founder and former head of Federated Dorchester Neighborhood Houses

* **Edwin Melendez**, member of the Boston School Committee and director of the Mauricio Gaston Institute at the University of Massachusetts/Boston

In the following pages, Pioneer Institute has reproduced an edited transcript of the forum.

The Effect of Politics and Monopoly on School Performance

James Peyser: School reform is an issue that seems to be always with us. Dating back at least to the time of Sputnik there has been a continuous cycle of crisis and reform, followed by the next crisis and the next round of reform. Nevertheless, after years of new reforms and new leadership, student performance is still underwhelming and school priorities still defy logic. The reason for this failure, I believe, is that reforms have been programmatic and have ignored the system's underlying structural defect: the monopoly power of school districts.

I mentioned that school priorities are out of whack. Here's a partial bill of particulars. The Economic Policy Institute, a Washington, DC think tank funded by organized labor, recently released a study of school spending in nine districts, including Fall River, Massachusetts. Between 1967 and 1991, real per-pupil spending in Fall River grew 53 percent. Only 4 percent of the net new spending went to regular education, which is the academic core of our schools.

More recent and more comprehensive data comes from a Massachusetts Taxpayer's Foundation study released in June. That study tracks changes in the pattern of school district spending since state funding began in grow as part of the 1993 Education Reform Act. It compares spending in FY 1992 to spending in FY 1995 across several categories. The data show that spending has grown in almost every category, but spending growth has not been uniform. Most notably, spending on regular education has not kept pace with overall spending growth. In other words, the relative share of spending on regular education has declined since the new education reform dollars began to flow.

Here are a couple of other data points. In 1950, teachers comprised about 70 percent of all public school staff. Today, teachers account for less than 50 percent of school employees. According to the National Education Commission on Time and Learning, students in the United States spend as much time in school as students in most other industrialized countries. The way U.S. students spend those school hours, however, is quite different. Only about 40 percent of the average school day in the United States is devoted to the study of core academic subjects. As a result, U.S. students spend only half as much time as students in countries like Japan and Germany studying subjects such as math, science, English, and history.

Why is it that our education priorities are so misshapen? The reason, I believe, is that public school priorities are driven primarily by politics, not the needs of students, the desires of parents, or the strategies of educators. Increasingly, priorities are established on the basis of who has the most vocal political organization, the most adept legal advocate, and the most entrenched bureaucracy.

Unfortunately, political priorities do not translate into academic success even for those who are supposed to benefit. By way of example, for the past 25 years Massachusetts has had a law on the books requiring transitional bilingual education for students who cannot perform regular classwork in English. Spanish-

speaking students were the principal target of this well-intentioned reform. Achievement data since enactment of this law, however, show that the performance of Hispanic students, relative to their peers, has actually declined—even with the additional resources mandated by the state and federal governments. There are two basic mechanisms through which politics control priority-setting in public education. The first is state and federal regulation, which is a topic for another day. The second mechanism is the monopoly power of school districts.

The Boston Education Market

The first point that needs to be established is that school districts do in fact constitute a monopoly. By way of example, let's look at Boston, which is in no way unique and in fact may be somewhat more open to competition than other districts. Schools operated under the direct management of the Boston Public Schools contain over 95 percent of the public school students in the city. Since September 1995, four charter schools and five pilot schools have been in operation. In total, these nine schools enroll less than 2,000 students, compared to more than 60,000 students in BPS schools. It's not just that enrollment in charter and pilot schools is currently small that is problematic, it's that expansion of these independently managed public schools is severely constrained by state law (with respect to charter schools) and BPS policy (with respect to pilot schools).

Besides a simple accounting of market share, the system's management has all the earmarks of a classic monopoly. There are system-wide collective bargaining agreements. The central office is responsible for the hiring and firing of staff. There is a centralized budgeting and purchasing process. Standardized policies and procedures covering a wide range of issues are issued by Court Street. Authority for the design and approval of curriculum rests with the school department. The bottom line is that control over all the meaningful levers of management is maintained centrally by the district.

While there are some alternatives within the system there is no real competition, because there is no competition for market share. The school department determines the student capacity and grade levels of each school and ensures through its controlled choice and student assignment process that all schools are fully enrolled.

Competition Works

Without real competition and choice, organizations -not just schools-inevitably stagnate as they elevate politics and bureaucracy over customers and quality.

This is not just free-market Pioneer talking. There is a growing consensus that centrally managed systems do not work. Here's an excerpt from a book written by management guru Peter Drucker:

"...innovation, almost by definition, has to be decentralized, ad hoc, autonomous, specific, and micro-economic. It had better start small, tentative, flexible. Indeed the opportunities for innovation are found, on the whole, only way down and close to events.... Innovative opportunities do not come with the tempest but with the rustling of the breeze."

Here's a quote from another source:

"Within the bounds of law and economic efficiency, decisions affecting the educational process and the delivery of services can and should be made at the local level, with corresponding accountability for the results achieved....The experience of educators in this and other systems demonstrates that there is no one best way to organize a school, a classroom, or any educational activity. Therefore, consistent with the philosophy of local decision-making, each school should have as much flexibility as possible to work out its own structures for governance and education."

Those words come from the preamble to the 1994 contract between the Boston School Committee and the Boston Teachers Union.

Besides these resolutions in favor of virtue, there is a growing body of evidence that strongly suggests competition and parental choice work in terms of improving student achievement. Especially noteworthy is the 20 year experience of District 4 in East Harlem, New York. Beginning in 1974, this elementary and middle-school district began converting its centrally managed schools into independently managed schools, largely under the leadership of teachers. As the number of these so-called alternative schools increased, so did the performance of the district's students. In 1974, when the first alternative school opened, less than 20 percent of the district's students could read at grade level. By 1986, when there were 25 alternative schools, over 60 percent of the district's students were reading at grade level. Moreover, the district's performance on reading assessments, relative to the 31 other districts in the city,

went from dead last to 18th. That's pretty impressive from a district encompassing some of New York's poorest neighborhoods.

I would also note that Debbie Meier's (founder of Central Park East School in New York City and widely praised entrepreneurial educator) interest in coming to Boston to start a pilot school is further testament to the power of autonomy to drive quality.

One of the criticisms leveled against competition and parental choice is that they lead to stratification and segregation of students. The data on real-world experience, however, indicates that this concern is misplaced. A recent study by Pioneer Institute on the first year of Massachusetts charter schools is particularly revealing. Forty-eight percent of charter school students are minorities, compared with a statewide average of 21 percent. Low-income students comprise 39 percent of charter school enrollment, compared with 25 percent in the state's other public schools. Eighteen per cent of charter school students are not native English speakers, more than twice the state average. Nine percent of charter school students have disabilities, equal to the national average.

A Plan for Structural Reform

The system needs to be opened up to competition, including competition from new entrants—even private schools, and the role of the school department and school committee needs to change from one of management and operations to one of standard setting and oversight. The result will be a true market in education, in which parents have choices among different educational and organizational models.

What follows is a three to five year implementation plan for moving toward a system based on independently managed schools:

- * expand the number of charter schools and pilot schools
- * offer to lease space in existing BPS facilities to these new schools
- * issue RFPs for the management of underperforming schools (and break them up)
- * gradually devolve all school management authority, including budget authority, to school site councils (although site councils could agree to maintain the status quo or some variant)
- * establish a per-pupil funding mechanism (including differential for special needs students)
- * establish a credit enhancement facility for schools to finance their own capital improvements and expansion through commercial lenders
- * invite school site councils to negotiate with the school department, regarding the purchase of central office services (such as transportation or payroll)
- * privatize operation of parent information centers and provide information on all schools, including private and parochial schools.

Conclusion

The final outcome will be a system of schools, rather than a unitary school system, which will put parents, students and educators at the center and will free them from the political and bureaucratic constraints that have doomed past reform efforts.

Neil Sullivan: We are fortunate in Boston to be beyond theory. I look around this room and see many practitioners who are doing things that were little more than dreams four years ago. They are running new kinds of schools, like pilot schools, charter schools, and alternative education programs. Although many here might disagree about the issues we are debating, they are frankly implementing many of the same types of innovative school design and pedagogy.

It is interesting to note that our panelists are struggling with these issues not just as observers, but as parents. Each of us lives in Boston and we all have children at some point in the education process. Struggling with these issues on such a personal level strips us of some of the ideological pretensions that often plague this debate. All of us here today are acutely aware that raising children and making schools function is hard work.

Competition is a means, not an end. I believe there is healthy competition and unhealthy competition. Like a hammer, it can be used well or badly. Healthy competition is dedicated to winning your opponent over, while conceding that you too may end up with a different viewpoint. Unhealthy competition is the

effort to weaken your opponent and prevail not by bettering yourself, but by surviving while your opponent disappears.

We have tried to manage that process in Boston over the past few years. The second Boston Compact included a commitment to school-based management and shared decision making. But it hit an obstacle with the end of the Massachusetts miracle and the subsequent de-funding of public education.

With the 1993 Education Reform Act came the return of funding, along with statewide reforms like school-based management, shared decision making, pilot schools, and charter schools. We must nurture the innovation that is spurred by healthy competition. A balance of collaboration and healthy competition develops a creative, symbiotic tension from which the most benefit can flow.

In 1993, I was part of a coalition that included former State Street Bank CEO Bill Edgerly, Boston Teachers Union head Ed Doherty, and a lot of people in between. Fortunately, those two gentlemen were keyed into the concept of healthy competition. As Bill Edgerly was helping move the charter school concept statewide, Ed Doherty was willing to accept pilot schools, an intra-district charter school approach.

And now these ideas have been realized. We have the Young Achievers and Lyndon elementary schools, which are pilot schools; Neighborhood House and Renaissance, which are charter elementary schools. We have some high schools, like Downtown Evening Academy, the Health Careers Academy on the pilot school side. We have City on a Hill and an extended high school concept called YouthBuild on the charter school side. Fenway Middle College is a pilot school that has been both a charter and a pilot school.

More innovative schools are coming to the Boston Public School System. The Arts Academy will open in 1997. Greater Egleston Alternative High School, like Fenway, received designation first as a charter then as a pilot school. We are hoping that the Roxbury Community College Multicultural Program can find a site so it can be a pilot school within the Boston system as well. These schools represent real progress.

If you go to each of these schools, you will find diversity, but also a remarkable sameness of purpose.

Whether the schools are large or small, they are organizing into smaller learning communities. We call this the "Cheers" concept: the best education takes place when everyone knows your name. It is very important to young people not just to be a member of a class, but to be treated as individuals finding their way.

Almost all of the pilot and charter schools are changing the way schools are organized, the way teachers teach and students learn. The shift is away from lecture and test toward project work. The teacher becomes a coach. Instead of "put your books away and let's take a test," students develop the ability to use the knowledge they have acquired over a certain period of time. This is how the high performance workplace and better universities are organized and how we are starting to organize pilot and charter elementary, middle, and high schools.

Finally, we are extending the classroom. The new schools do not view themselves as existing solely within the walls of their building. They are extending the classroom to the workplace and the community. Career and community are driving forces that organize the way teaching and learning happen. It is as if the science project and the field trip, things most of us remember fondly, have become the rule rather than the exception.

I think competition can be used well, but it is a dangerous tool. If we are dedicated to winning over our opponents and perhaps bettering ourselves, we will meet the ultimate test of education reform, which is better schools for all our children.

Kristen McCormack: From a parent's perspective, the level of this discussion is too theoretical. I know the other panelists well enough that they will not be insulted by my observation. I admire the work each of these gentlemen is doing and I love the fact that they are working so hard on improving our children's education. But when you have kids who are of school age and you are looking to provide them with the best possible education, it is difficult to listen to a theoretical discussion. What you are looking for is much more practical.

I was a Boston Public School parent for six years; sometimes a happy one, sometimes a frustrated one, sometimes an unhappy one, but a hard working one. My husband worked even harder than I as a member of the School Site Council at our local elementary school. I currently have one child at the Renaissance Charter School, one at the Neighborhood House Charter School in Dorchester, and one about to enter Boston Latin School.

I applaud the changes that are being made in the Boston Public Schools. I think a lot of terrific things have gone on in the past year, especially in terms of the work of the business community, the Boston Private Industry Council, the Superintendent, the School Board, the Teachers Union, the parents; I think everyone is rowing in the same direction.

But it is all too late for my kids. Those reforms are not going to be in place in time for them. They are not going to be in place in time to make a difference for the kids in my neighborhood. The average child entering the first grade today is out of the system in ten years. When people tell you we can turn the system around in five or ten years, that is my child's entire education. It becomes less appealing for parents to invest in something that will not provide a return for five or ten years.

It becomes even tougher to sell it to parents who have already been hearing this for the last 15 or 20 years. I have been part of school reform efforts over that period, and I know we have lost an entire generation of kids. I see those kids in my neighborhood and I know they have been lost, which is why I personally was motivated to start a charter school through Federated Dorchester Neighborhood Houses. And I am pleased to see at least three trustees from that school in this room today.

There is no amount of information about reforms and changes and competition, or a monopoly structure of education that you can give to a parent whose child is not learning. And we are dealing with kids who are not learning. It is like telling the family of a cancer patient that there are some scientists working on a cure, which might be ready in five or ten years. Before we dismiss that analogy, I want to be explicit about the fact that it is like the slowest, surest death to watch a child enter the first grade and be failing by the time they are in the fourth, fifth, or sixth grade. It is absolutely like watching a child die, and I have seen it. I want to use an example from my own neighborhood, because I think anecdotes can help illustrate some of the statistics we hear about.

There are three families of kids in my neighborhood, all African-American or Cape Verdean. I have watched those kids grow up over the past ten years, because they have grown up with my own. When I met them, they were three and four years old. They were smart, energetic, curious, and talented. They came from two-parent families, where both parents worked either factory jobs or other minimum wage jobs. All together there are eleven children and today every single one is failing. They have nothing on their report cards higher than a C-.

Somebody please explain this to me. These are not special needs kids, they are smart, and they are all failing. I share this with you as a neighbor who has watched these kids grow up, to underscore the level of frustration that the parents of these kids have. It is what generates the enthusiasm for charter schools, for vouchers, for school choice. It is a very visceral and emotional reaction from parents, like pulling a kid out of the path of an oncoming car. That is how instinctive it is to want a better education for your children.

This is not just a city issue. I have seen the same anger and frustration in parents across the state. I predict that there will be an explosion of demands on the part of parents, both urban and suburban, who are desperately seeking an alternative to what they are now getting. It has been percolating for a long time.

It is important to understand not only that parents are going to choose if given the option, but they will fight for school choice. I think we are going to see a lot more parents fighting for the option of vouchers. Whether it is good or bad, that is the reality.

The next phase is to ask whether charter schools and pilot school are any better. Are those kids learning? For many schools it is too soon to tell. Some of the alternative schools have a track record and we have seen tremendous change and improvement. Whether it be a pilot school, charter school, or an independently contracted school, what is different from a parent's perspective is the ability to set standards, make changes, and solve problems.

I interviewed some of the teachers and parents at our charter school for an annual report. Every teacher and parent said the same thing: for the first time, they felt they had power and control. They could change things they did not like; they could solve problems. That was one of the things they liked best about the school.

Charters, pilots, and other alternatives to district schools are not a panacea. They are just as hard to run as any other schools. But the level of power and the decentralization are critical to the success of these schools. That has been what has kept our school going.

Edwin Melendez: The issue of competition in our schools is very important. Indeed, healthy competition can bring a lot of changes in the system. And the system does need to change. The Boston School Committee will be the first to collectively recognize the importance of introducing school reforms, and I am going to end my comments with a few points about where we are heading.

First I would like to focus a bit more on the issue at hand, which is the role of charter schools and, for that matter, pilot schools in pushing reform of the whole system. In addition to bringing innovation and competition, charter and pilot schools have proven that they can mobilize outside resources to support the school system. I think that in itself is a very important result of this process.

Of course, I will have some criticism for charter schools, but we must acknowledge that they are putting pressure on us, and that is important. We recognize that competition is out there, and we are looking to meet the challenge.

The argument that charter schools free teachers and students from institutional constraints in the long term will prove to be wrong, because someone has to monitor the performance of the schools. Over time, someone will have to start talking about standards and other issues. At that point you will see a big difference between the way these schools operate and the way that the traditional public school system operates. I will try to expand on this argument.

One of the key arguments in favor of charter schools is that they break a monopoly by introducing choice and competition. The charter school movement really is a coalition of various groups who believe that competition and market driven reform can make a difference, together with others who focus more on the school level, on pedagogical reform and innovation. Over the long haul, those differences are going to surface. I do not believe that vouchers and market competition alone will solve the problem. Nor will a simple reallocation of spending do the trick. To accomplish real reform, we have to look more closely at the way schools are organized, how teachers teach, and how we support those processes.

If market competition alone could bring change, we would not have housing problems; we would not have job needs for the poor; we would not have any of the other social problems that need urgent attention. Education is no different from health or housing in that respect. Markets work well where there are profits to be made. It is a simple, proven principle. If there is not a well organized market to reward those who come to it with profits, there will be no incentive to enter it. What is bringing people to education right now, through the charter and the pilot schools, is an enthusiasm for doing the right thing, for contributing to the education of our children. That is working well on a small scale. The challenge is to bring it to the whole system, not just to a handful of schools.

One of the issues that has been raised here is that the schools are failing. Some schools are failing, but the system is not. There are some very good schools within the system and some very good students within bad schools. There are some very good teachers within a system that does not support them, and there are some very bad teachers who need to be removed.

Let me comment on what I believe to be the crux of the matter. If we look at inner city reform like what happened in District 4 in Harlem, we see a local initiative coupled with a school district that was very supportive of that initiative. That reform was not just the structure of the school, as important as that was. It was also a radical transformation of the teaching methods in the classroom. Competition alone, via charter schools or pilot schools, will not promote that best practice. It requires that the teachers engage actively; that they are encouraged and rewarded. It also requires staff development, which is not something that can happen at one school in isolation. It needs to be supported by a system and happen system-wide.

The changes that succeeded in improving the scores of low achievement students in District 4 are an example of what allowing flexibility and bringing resources to those schools can do. I think we can achieve that within the Boston Public Schools, not only through pilot schools, but through sweeping, system-wide reforms. That is my criticism of many of the alternative schools. They are very good on a small scale. Let me remind you only of Head Start. When it began, there were 50 great early learning centers that serviced most of the nation. But what happened when 500 were created and resources were spread thin? The replication of that good model was not easy. Everybody who is in business knows that it is easier to manage a small number of operations than to manage a large number. The issue is the scale of operations.

We hope it is possible to combine school-based management with system-wide evaluations of teachers and standards. That is the model on which the Boston Public System is based. Reforms can happen at the local level that allow teachers to introduce best practice in the classroom and promote a supportive school. The system can support the reforms by instituting teacher evaluations and standards.

Some functions occur in the classroom and others are carried out at the system level. I think staff development, for example, needs to occur at both levels. What can occur at the school level is very particular. The best instructional practice can be learned from within, but we must have mechanisms that disseminate the knowledge of what works at the local level.

Staff evaluation is another example. At many of the charter schools there is no rigorous mechanism for evaluating either the school as a whole or individual teachers. There is a big debate within the schools right now. In some instances, it has been resolved by creating a more rigorous evaluation standard. But in many cases it has just been pushed aside, because the movement is important and we have to push reform. The question is what is going to happen five or ten years down the road. This is another critical problem that competition alone will not wash away.

What really makes the difference is the amount of resources that we bring, along with flexibility at the local school level, to promote the best instructional practice in the classroom. This is what we are trying to bring to the Boston Public School System. Perhaps we should not debate with charter schools, because we do embrace a lot of the principles they are implementing.

Reallocation of resources alone will not do it. We are also changing the hierarchical system that was in place and replacing it with a system that is more supportive of local initiatives. The thing that we bring to the table, which alternative schools and charter schools lack, is a systemic way to regulate the quality of education our kids are receiving.

Questions and Answers

Audience Participant: I have four children; the oldest is in fourth grade. We have tried both public and private schools. I have served on the school council and been involved in trying to start a charter school. One of the things I have been stunned by is that teaching methods are not subject to any scientific studies. If it sounds good, it is being implemented. Because parents are so dissatisfied, they are jumping at these new schools. With Montessori and Waldorf programs, and places like Boston Latin, we have seen what works. I want basics. I want my kids to learn to read, write, and do arithmetic. We will get some of that from these new ideas. But let's study them. Meanwhile, why aren't the public schools implementing more of these proven programs?

Kristen McCormack: The school choice program was sold to Boston Public School parents on the premise that good schools would be rewarded and replicated within the system, and the bad schools that parents were not choosing would go out of business. It did not happen and I am angry about it.

As you said, there are good schools and we know what works. Why does a good school like Patrick O'Hearn Elementary School have to go through such an extended struggle to add a grade level? No one has been able to answer my question. Perhaps Dr. Melendez can, but I agree with you.

Edwin Melendez: Closing schools is the biggest problem. Unless we can actually close schools down and reallocate the resources, we are powerless. We are moving toward systematic evaluation of schools. Student enrollment and choice preferences are criteria we will use to look more carefully at restructuring the schools.

We did have a very successful restructuring of a high school that lost its accreditation. An intervention team made up of members from the teachers union, the school system, the superintendent, and the mayor's office went in and were so successful at restructuring the school that its accreditation will be reinstated in a couple of years.

We know what works and can apply it in an individual school, but we lack the systemic flexibility to promote that best practice system wide. That is our challenge. But I agree with Kristen. Unless we can reward good schools and close the under performers, we will not be able to compete with charter schools.

Audience Participant: What is your opinion on for-profit schools as part of the equation in a competitive educational market?

James Peyser: I have no problem with for-profit entities becoming involved in public education. They will not be able to charge more for their services and will be subject to the same rules as non-profit entities. If they can make money at it, more power to them. Currently, the fact is they are pouring money into the system rather than taking it out.

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