

THE RECOVERY SCHOOL DISTRICT MODEL

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In most economic sectors in the United States monopolistic enterprises are either illegal, restricted, or tolerated out of necessity. The reasons we choose to avoid monopolies are multifold: Monopolies reduce innovation, prevent choice, raise prices and lead to lower productivity. Yet, when it comes to our nation's most important endeavor — the education of our children — we grant near-monopolistic power to local school boards. These monopolies, while well-intentioned, reduce the opportunity for children to receive an excellent education. This is especially true in urban school districts.¹ If we expect to significantly change outcomes for students, we will need to change the system itself.

The specific negative effects of monopolistic governance on urban school districts can best be described as the governance trap. The governance trap looks like this:

First, a “reform” school board is elected because everyone agrees the schools are failing children. Next, the school board hires a superintendent who agrees to come in and “fix” the system. Usually, the superintendent must tackle three main issues: improving dysfunctional labor relations, increasing the performance of recalcitrant bureaucracy, and managing a communications effort with a rightfully frustrated public. Inevitably, much political, financial and emotional capital is spent. In most cases, minor improvements occur. In rare cases, modest improvements occur. Regard-

less, the progress is slow enough that a new “reform” school board is eventually elected, the previous superintendent is fired, and a new superintendent search begins. Repeat. Repeat. Repeat.

On average, this process of superintendent replacement takes over three and a half years — up from about two years and four months in 1999.² But more important than the length of the cycle are the results of the cycles. In part because of governance, our national student achievement is stagnating.

The governance trap is very real and very harmful to children. It is fueled by good intentions and antiquated structures, and it is sustained by the monopolistic nature of the system itself. Of all its harms, its greatest negative effects are on human capital and innovation.

Labor relations decay to a level where great people avoid entering the system. And the lack of competition stunts innovation. The data bear this out: The United States now selects its teachers from the bottom third of college graduates and has significantly increased spending without much increase in productivity.³

RECOVERY SCHOOL DISTRICTS: A WAY OUT OF THE TRAP

Traditionally, reform-minded education leaders try to get out of the governance trap by utilizing one of three strategies: securing mayoral

control, initiating a full state takeover, or electing a reform slate of school board candidates. The risk in each of these strategies is that one monopoly will simply replace another. Numerous major governance initiatives — mayoral control in Chicago and state takeover in Newark — have failed to deliver major changes. To achieve long-term governance improvements, monopolistic conditions must be reduced.

One promising vehicle for such a change is a Recovery School District, the first of which was created in Louisiana in 2003 and ushered in a wave of improved performance in New Or-

EDITOR'S NOTE

If one thing is clear after 236 years of a free market economy in the United States, competition works best for creating innovation, as well as better and less expensive products for the public. Monopolies tend to have the opposite effect. And government monopolies can be even worse. Using that as a given, how can school districts, which are the purest form of government monopolies be turned around when they consistently fail?

The answer comes in the concept of the Recovery School District (RSD). Imagine a recovery team coming into a business after it goes bankrupt or a group of bank regulators working with a failed bank. They come in, assess the situation, figure out what needs to be tossed out, what can be saved and how to improve it for the future.

An RSD is a statewide school district charged with turning around failing schools. It is generally situated within the state department of education and is led by its own superintendent, who reports directly to the state superintendent. Because the RSD is granted certain powers — closing failed schools, replacing them with charter schools, using vouchers and hiring and firing — it can inject entrepreneurship, innovation and new human capital into a stagnant, monopolistic and failing system.

The RSD does not directly operate schools and the head of the RSD should plan on coming in, fixing the situation and then leaving. It is not a job for life. Finding the right superintendent is, therefore, vital. It's mandate should be clearly defined and everyone — the RSD and the state government — should be aligned on a single set of beliefs. The worst failed schools should be jettisoned and the rest improved.

To do this, the state should first enact legislation mandating this and then stand behind it. Maintain an accountability system and, although patience is important, there should also be a time line. An evaluator should be hired to oversee it.

RSDs have already proven themselves. In New Orleans, an RSD was created in 2000. Over the past six years, it has cut its achievement gap with the state of Louisiana by over 70% and the percentage of students attending failing schools has been reduced from 78% to 40%. That's cutting it in half. Because of RSD, New Orleans has undergone one of the greatest turnarounds in recent history.

There is no reason why Milwaukee, with the help of the state government in Madison, shouldn't do the same or even better.

leans. Over the past six years, New Orleans has cut its achievement gap with the state by over 70 percent, and the percentage of students attending failing schools has been reduced from 78 percent to 40 percent. In large part because of the RSD, New Orleans has undergone one of the greatest educational turnarounds in our nation’s recent history.

Leslie Jacobs, a prominent New Orleans business leader and member of the state Board of Elementary and Secondary Education, spearheaded the development of the nation’s first RSD. Modeled after bankruptcy law, RSDs are charged with turning around failing schools. However, unlike traditional methods of reform, the RSD need not operate schools itself. It can utilize charter schools to overhaul individual schools as well break up underperforming school systems.

In Louisiana, the RSD took over its first school in New Orleans in 2004, and the program expanded greatly after Hurricane Katrina. In New Orleans, this has led to the development of the nation’s first major charter school district, with over 85 percent of students now attending charter schools. In recent years, two others states have created their own RSDs: the Achievement School District in Tennessee and the Education Achievement Authority in Michigan.

Structurally speaking, an RSD is a state-wide school district that is charged with turning around a state’s failing schools. It is generally situated within a state department of education and is led by its own superinten-

dent, who usually reports directly to the state superintendent. Practically speaking, an RSD is a vehicle whereby a state can inject entrepreneurship, innovation and new human capital into a stagnant and monopolistic local education system. An RSD is thus best understood as a bridge between a government monopoly and a liberalized educational system.

With three RSDs now in existence, the highest-value roles and functions of this new form of governance have become clearer. An RSD has the potential to transform a state’s educational system by serving

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three primary functions:

- *Market creator.* An RSD can break local government monopolies by utilizing charter schools, alternative human-capital pipelines, and vouchers. In short, it can reduce both the school operation and labor market share of a local monopoly. If well-executed, this should lead to increased talent levels, innovation and entrepreneurship in the system.
- *Ambassador and talent recruiter.* The RSD leader can be a legitimate ambassador for a new way of doing business. She can brand the RSD around academic excellence, recruit charter operators and human-capital providers, and be a leading voice for a state’s most vulnerable children. The best RSD leaders are able to use their local and national networks to infuse the new system with the best educators in the nation. Market systems without great organizations and great people will provide limited results. A visionary

RSD leader understands that people matter and that talent is a virtuous cycle. The best attract the best and so on.

- *Bankruptcy steward.* An RSD’s legislative mandate is to turn around failing schools. However, unlike a typical takeover agency, the RSD’s goal should not be to directly operate schools. Replacing one government monopoly with another is a fool’s errand, and the history of district takeovers is dismal. Rather, the RSD’s job should be more akin to that of a traditional banking regulator. If a bank fails, a banking regulator will intervene and either sell or rehab the institution, the key point being that the government does not operate the bank in perpetuity. It is a temporary steward, not a replacement operator.

RSDs can improve student achievement by acting as market creators, ambassadors and bankruptcy stewards. Traditional school districts have been unable to separate educational governance from educational delivery, and charter schools continue to be either marginalized or viewed as a threat. Under an RSD governance model, charters can more fully flourish. Instead of being governed by their competitor (the district), charter schools can operate in an entrepreneurial zone where they become the primary deliverer of educational opportunity. A well-run RSD can correct the role of government in schooling and provide a way out of the governance trap — a trap that has plagued our nation’s educational system for decades.

DESIGN PRINCIPLES: HOW TO CREATE AND LAUNCH A RECOVERY SCHOOL DISTRICT

Creating a high-performing RSD requires three

major actions: getting the initial conditions right, hiring the right superintendent, and then overcoming the inherent and identifiable risks of decentralization.

Design Principle One: Getting the Prerequisites Right — Belief, Strategic Vision and Policy Environment

Prerequisites for launching an RSD include holding a certain set of beliefs about education, molding these beliefs into a strategic vision, and developing a suitable policy environment:

- *Sharing a belief set.* An RSD will only achieve success if its creators (usually state governors, legislators and policymakers) believe that government officials must relinquish operational control of schools to educators and let parents choose which schools their children should attend. If this is not the case, at best the new government-run system will be marginally better than the previous. At worst, the new government leaders will create organizational chaos, most useful institutional knowledge of the old system will be lost, and schools will be reconstituted so haphazardly that performance will worsen. Beliefs matter and should be articulated at the outset.
- *Agreeing on a strategic vision.* Aligning on a set of beliefs is one thing. Translating these beliefs into a strategic vision is another. Case in point: Leaders might all believe in educator empowerment, but they might be divided on whether this means autonomy within a governmental system or handing over full operational control to a nonprofit.

In New Orleans, the RSD is now very clear on its strategic vision (after operating initially

without such clarity). The RSD intends for every school it oversees to become a charter school. When necessary, it will directly operate schools for a limited amount of time. An RSD's strategy should be clear at the outset. It is impossible to build an aligned culture, organizational structure and set of goals without strategic clarity. Most importantly, this strategy should embrace true autonomy in the form of third-party management of schools as the long-term goal.

- *Developing a suitable policy environment.* The right laws and policies are necessary but not sufficient. Specifically, the RSD itself will often require enabling legislation that allows for the creation of a sub-unit of the state to authorize charter schools. Additionally, an RSD's mandate should be clearly defined by a high-quality state accountability system.

For example, in Tennessee the RSD has jurisdiction over the bottom 5 percent of schools in the state. In many states, even such a narrow mandate will provide an initial jurisdiction of over a hundred schools, which could make for over a decade of work. While it may be tempting to expand the RSD's reach outside of failing schools, such work is best left to traditional statewide authorizers, which can complement RSDs by providing another route for charter school expansion that is separate from failing school replacement.

Additionally, all schools in the RSD must also be fully funded, with money following the child; operate outside of any local collective bargaining agreements; and have usage rights of government-owned facilities. Lastly, the RSD should be structured as an entity within the state department of education, and the RSD

superintendent should report directly to the state superintendent.

In being managed by an education official rather than an elected board, the RSD superintendent will have more power to make difficult decisions in closing schools. Ideally, the governor and other state officials will also provide political support to the work of the RSD. (For example, in Louisiana, both Democratic and Republican governors have backed the RSD's expansion.)

Design Principle Two: Hiring a Humble, Connected and Expert RSD Superintendent

The leader of a newly minted RSD inherits ideal conditions for a government educational post. There is no existing culture to be reformed, no existing strategies to be overhauled, and no unwieldy school system to be corralled. Rather, the RSD leader can build an institution, focus her energy on changing the management of a state's most underperforming schools, and slowly build a decentralized statewide school district that relinquishes power to educators and parents. But this opportunity will be realized only if the right person at the helm. Some characteristics include:

- *A humble believer:* Very few superintendent candidates believe that the best way to improve student achievement is to let educators operate schools outside of direct governmental control. Most superintendents believe that the system can work if only someone like them is finally put in charge. In some sense, this is completely understandable; superintendents generally did not construct the systems they inherited.

But an RSD leader must not succumb to the temptation to improve schools through better

direct operation. Rather, the RSD leader must humbly acknowledge that a marketplace of school operators will, over the long run, outperform even the best direct-run system. In other words, the superintendent must relinquish power to educators rather than try to effect change through leadership alone.

- *A connector.* The ambassador function of an RSD leader should not be underestimated. Internally, the leader needs to build a high-quality management team. Externally, the RSD leader must recruit charter operators, human-capital providers, and school service providers. Hiring a leader who has worked in an entrepreneurial educational reform organization can pay many dividends. First, the RSD leader's professional and social network will be a key source of the first wave of talent. Second, reputation and accompanying trust go far across looser and more dispersed networks, which will be key to the success of the new system.
- *Knowledge of excellent schools.* Lastly, an RSD leader should understand how excellent schools are run, either through experience operating a high-performing school or working for an institution that partnered closely with such schools. Her internal bar must be high. A leader who does not understand what great schools look like, feel like and perform like will be at risk of making flawed decisions at every turn. At the end of the day, the RSD leader sets the bar for the new system, and if this bar is low, it may cap the long-term performance of the system.

Design Principle Three: Preparing for and Mitigating the Major Risks of Decentralization

Developing an RSD comes with serious risks. In Louisiana, the RSD expanded ahead of its abilities to attract qualified senior staff and build organizational structures. Its early results in operating schools were weak, which led to poor initial student outcomes. Moreover, the RSD did not fully assume its proper role as sound regulator until years into its existence. Some of these mistakes were avoidable. Others were driven by the necessities of operating in the wake of one of the worst natural disasters in our nation's history.

The risks of launching an RSD mirror those of most decentralization and deregulation efforts. Across sectors, risks include:

- *Oligarchy formation.* A government monopoly may simply be replaced with a private monopoly or oligarchy (e.g., natural resources in Russia post-communism).
- *Regulatory capture.* Government regulators may be "captured" by the new elite. The banking industry's inability to be regulated serves as caution.
- *Lack of fortitude.* Lastly, sometimes things get worse before they get better (e.g., Eastern European economies after the breakup of the Soviet Union). Knowing when to pull the plug and when to persevere can be exceedingly difficult.

For RSDs specifically, key risks include:

- *Poor regulation, passive oversight.* Lax charter authorization, weak accountability systems and poor oversight will lead to mediocre student achievement outcomes and severe equity issues. The RSD must take its regulatory responsibilities seriously. In Louisiana, the RSD utilizes the National

Association of Charter School Authorizers to make recommendations on approving or rejecting charter applicants. Additionally, the RSD has developed “Equity Reports” on every school in the city to provide transparency and oversight on issues such as student retention, expulsion and special education. Most recently, the RSD instituted a centralized enrollment system in New Orleans to ensure that all parents had equal access to schools across the city.

The RSD cannot be a passive regulatory agency. It must determine when system-level issues trump what should generally be an extreme deference towards school autonomy.

- *Going too slow, going too fast.* Creating markets is hard work. Policy development, human-capital formation, and new organization incubation all take significant time and resource investments. As in democracy formation, an initial set of laws only goes so far. While there is no set formula for the pace of liberalization, a tentative pacing of moving 5 percent of schools each year from traditional district public into the charter or voucher sector seems to be a fairly useful rule of thumb. But local conditions will dictate how fast the decentralization efforts can be responsibly executed. Going too fast will lead to poor quality. Going too slow will cause unnecessary harm to students by keeping them trapped in underperforming schools.
- *Building the right team.* The right senior leadership in the early years of an RSD is crucial. This initial team will exert heavy influence on who opens schools, which schools are closed, and the content of the

new policy regime. Additionally, the team will need to build constructive relationships with charter operators — and these relationships will affect the long-term growth trajectory of operator expansion (who will choose to expand elsewhere to the extent the RSD is mismanaged).

Superintendents who do not spend significant time and resources on building a management team will soon mirror the underperforming bureaucracies that the RSD is meant to improve. In some sense, the RSD itself is another government monopoly. As such, much care must be exercised in building the team and culture at the outset. Specifically, attracting the right blend of entrepreneurial, educational and management expertise is essential. Traditional district officials may not thrive in this new setting.

ACTION STEPS

The section below details specific action steps that Wisconsin could take to create an RSD. However, the general actions and principles could apply in a variety of different state contexts.

Enacting Legislation

The Walker recall makes clear that education reform in Wisconsin is a divisive issue. A coalition of willing legislators may be difficult to come by. However, RSDs have now been created in both blue states (Michigan) and red states (Louisiana and Tennessee). And the idea of replacing failing schools with charters schools is also supported by both parties. Suggestions for building a coalition include:

- *Align actors around a common vision.* In Tennessee this was turning around the

bottom 5 percent of schools in the state. In Wisconsin, it will be important to align a coalition that includes the governor, state superintendent, Metropolitan Milwaukee Association of Commerce, and, ideally, legislators who represent the Milwaukee area.

- *Take learning visits.* Bring education and political leaders to Louisiana to see first-hand the positive effects of an RSD. Include schools led by both new and veteran leaders so as to clearly demonstrate that all educators can flourish under autonomous conditions. Numerous city and state leaders have visited New Orleans and had their beliefs changed by talking to educators on the ground. This is especially true of those leaders who may view charter schools as a type of corporate reform that is meant to undermine public education.
- *Connect to the state accountability system.* Ensure that a statewide accountability system clearly articulates how and when the RSD entity can intervene. Louisiana, Tennessee and Michigan all define RSD jurisdiction in different manners. Develop rules that set up the RSD for manageable and continual impact. Utilizing growth measures in the state accountability system will also go far in ensuring that the RSD is both turning around the most underperforming schools and being rewarded for the gains it makes with struggling schools.
- *Utilize foundation support.* Numerous national foundations have come out in support of RSD-type entities, and local foundations often have significant influence over the political and business community. Securing philanthropic support can allow the RSD to

staff ahead of growth, ensuring that people and processes are in place to support expansion.

Additionally, to the extent that philanthropy is available to support charter expansion and human-capital development (rather than less impactful educational programs), the RSD will be better able to move quickly in its pursuit of creating new, high-quality options for students. Specifically, local citywide intermediaries can be useful in coordinating philanthropy to support entrepreneurial reforms. In New Orleans, Tennessee and Detroit, these organizations have accelerated local reforms.

Recruit an Exceptional Superintendent

The first superintendent will greatly influence the future success of the RSD. Some suggestions for recruiting and selecting an excellent superintendent include:

- *Do not make selection a public process.* Stakeholder input is best solicited at the criteria stage of selection. Once recruitment begins, the best candidates will not want to participate in an elongated public trial. Selection should be driven by the state superintendent and her network.
- *Hire a reform-connected search firm.* Two to three prominent search firms dominate the education reform market; hire one of them to manage the process. Then work very closely with the search firm in surfacing, cultivating and selecting candidates. Ultimately, the new superintendent will work for the state and not for the search firm, meaning that state leaders must be present and proactive in recruitment. The energy devoted to this search

should rival the energy spent by state leaders in recruiting private sector companies to do business in the state.

- *Have patience.* Launching with the right RSD leaders is worth waiting for. If necessary, move implementation back one year to find the right candidate, because a poor first year of implementation can greatly reduce long-term effectiveness.
- *Select a network.* Understand the candidates' networks, and select a candidate whose network will deliver additional resources. Leaders coming out of the entrepreneurial education sector will often have significant ties to high-performing charter and human-capital organizations.
- *Filter for strategy.* Ensure that the candidate actually believes that relinquishing power to educators is a better reform strategy than improving government-operated schools. "Autonomy" means different things to different leaders. Do not assume that leaders coming out of the entrepreneurial sector will necessarily hold these beliefs. Currently, the reform community is not unified around the strategy of delegating operation of schools to nongovernmental entities.

Launch Thoughtfully

Launching an RSD is difficult, and there are only a few models to follow. Here are some suggestions:

- *Align strategy, structure and people.* Build the organization for what it will execute. Review organizational charts from other RSDs to understand how to structure the organization, and then hire for alignment and potential rather than district experience.

Do not build an organization that is meant to directly operate schools. Build an organization that can act as an ambassador and accountability agent.

- *Resist emergency calls for more.* The experiences of RSDs across states all point toward extreme pressures on quick growth. Governors and state superintendents will want results quickly and demand full district turnaround. Ignore them. Tackle urban markets with 5 to 10 percent annual growth targets. In Milwaukee, this would mean launching six to 12 schools a year at the outset and increasing this rate as the market matures. Achieving measurable success in the first three to five years will create the conditions necessary to execute the second wave of work.
- *Secure anchor tenants.* In the first year of existence, get at least one or two exceptional charter operators to commit to significant growth. Examples of excellence are crucial, and early wins will buttress inevitable failures. High-performing charters will raise the bar for all operators, as well groom future leadership. Talent cycles are virtuous, and having organizations that grow leaders will lead to the growth of more high-performing charter operators down the road.
- *Emphasize recruitment over development.* In failing environments, school improvement plans and increased professional development are siren songs that will lead to marginal improvements. Focus on getting the right people on board before relying on improvement strategies. Years in, development will yield better results, but not at the outset.
- *Close 100 percent of schools that do not*

meet performance targets. The early years of accountability will affect both the long-term structure and culture of the new system. The RSD must close or transform all schools in its portfolio that do not meet performance targets — even if these schools are marginally better than what existed before. Early exceptions to accountability rules will undermine the integrity of the system.

Hold the Mirror Up Often

Education reformers have a tendency to view their work in the best possible light. Most superintendents feel that they are on track for dramatic gains. Historical evidence demonstrates that most of them will be wrong. Some suggestions for continually increasing performance:

- *Hire an evaluator.* Set specific goals, and have an external evaluator measure your progress against these goals. The best researchers will be brutally honest. They can also provide statistical evidence that surpasses most state accountability systems (utilizing experimental and quasi-experimental studies).
- *Benchmark yourself.* Have a clear understanding of how other recovery districts have performed, and track the new district against these metrics. School quality, market share and human-capital recruitment are all worth tracking.
- *Respond to what you see.* It will be tempting to dismiss information contrary to perceived realities. Force yourself to correct course. Accelerate or slow depending on your performance. If necessary, focus on charter replacement rather than charter market-share growth, with the goal of expanding the

charter sector only if it is out-performing the traditional sector.

- *Allow time.* Be humble and responsive but know that markets take time to build. Comprehensive results may take years, although a complete void of early successes should be cause for pause.

CONCLUSION

Governance is only one piece of the puzzle in raising student achievement across our country. But it is an essential piece, as it is only through governance that educator autonomy and parent empowerment can be achieved. Our antiquated governance structures are not fit to spur on the innovation necessary to increase the effectiveness of our schools. Yet, given our current power structures, government itself must initiate this transition to relinquish control back to educators and parents. RSDs are among the most powerful tools available to bring about this change.

¹ Herbert J. Walberg and Joseph L. Bast, *Education and Capitalism: How Overcoming Our Fear of Markets and Economics Can Improve America's Schools* (Stanford, Calif.: Hoover Institution Press, 2003).

² Council of Great City Schools, "Urban School Superintendents: Characteristics, Tenure, and Salary," *Urban Indicator*, fall 2010, accessed September 14, 2012, http://www.cgcs.org/cms/lib/DC00001581/Centricity/Domain/4/Supt_Survey2010.pdf.

³ Byron Auguste, Paul Kihn and Matt Miller. "Closing the talent gap: Attracting and retaining top third graduates to a career in teaching" (New York: McKinsey & Company, 2010); James Guthrie and Elizabeth A. Ettema, "Public Schools and Money," *Education Next* 12, No. 4 (2012), accessed September 14, 2012, <http://educationnext.org/public-schools-and-money/>.