

An Assessment by  
Hoover Institution's  
Koret Task Force  
on K-12 Education

# American Education in 2030



**Reinvented School  
Districts**

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## In 2030

In 2010 nobody could have imagined that, in the vast majority of localities with more than ten thousand students, the dominant school district model would be totally replaced by one in which

- Districts do not run any schools at all but sponsor them via chartering, contracting, and other partnership agreements with providers of all kinds, including teacher cooperatives, colleges and universities, nonprofits, and professional management companies.
- Districts' core mission is to manage a portfolio of schools by setting common performance standards, analyzing common student performance information to identify low-performing schools that need to be improved or replaced and high-performing schools that could be replicated, transferring responsibility for school operation from low- to high-performing operators, and encouraging formation of innovative new school providers. Districts also supervise school admission processes to prevent discrimination on the basis of race, income, or student ability.
- In twenty states, laws passed by the legislature limit school boards in districts with more than five schools to performing only the portfolio management functions described above. School boards do not have the authority to hire anyone other than a superintendent and a small central, technical support staff.
- Districts do not employ teachers or principals, schools do. Moreover, districts do not set pay or benefit levels and do not accumulate pension or retiree benefit obligations. The existence of schools and the jobs of teachers and administrators are all contingent on performance.
- Districts do not provide professional development, warehousing, or other services to schools. Schools buy such needed services from independent vendors or join mutual support networks or education management organizations that provide services for schools with similar instructional approaches.
- Families have unrestricted choice among all local publicly funded schools.
- Money flows to schools based on their enrollment, and schools pay all their own expenses, including facilities rental, instructional support, and teacher professional development, from enrollment-based income.
- Schools include not only traditional brick-and-mortar all-day instructional programs but also online instructional programs and hybrid programs under

which students receive their basic instruction online but meet frequently with teachers for diagnosis, tutoring, and group work.

- Schools can purchase or rent facilities or not use facilities at all. Districts have sold off their school buildings to real estate trusts that offer school buildings for lease; these trusts have folded the money formerly reserved for capital expenditures into the amount that follows every student to the school she attends. Schools therefore limit spending on facilities; because no one was willing to pay for Taj Mahal school buildings; these have been abandoned or sold off.
- To encourage development and expansion of new forms of schooling and uses of technology, schools can make profits as long as they meet high standards of student performance.
- Teacher unions, unable to control a whole district with one collective bargaining agreement, have adapted by organizing individual schools and becoming training organizations and hiring halls, as predicted decades earlier by the authors of *United Mind Workers*. Within-school union militancy about hours of work and task assignments is tempered by the need to avoid driving out parents and skilled school leaders. Recognizing that a sharp line between labor and management is no longer sustainable in a professional organization, unions seek charters and contracts to manage schools.

In these districts, the conflict over privatization versus government control of schools has been resolved by adopting features of both. Elected officials (mayors, chancellors, in some cases school boards) oversee schools on the basis of measurable performance and take responsibility for abandoning failures and finding alternatives. Independent organizations of all kinds run schools on a performance-contingent basis.

As these changes in district role and mission emerged, educational innovation and individualization to the needs of students and neighborhoods have grown. The opportunities for entrepreneurship are drawing increasing numbers of “Teach for America-style” graduates of elite schools into teaching in inner-city schools; many of these have stayed on to become heads of innovative new schools and founders of school support networks and education management organizations.

Opportunities for the full use of technology have led to developing new kinds of schools that need fewer teachers and rebuilding the teacher role around the functions of diagnosis, remediation, and enrichment. Schools’ ability to pay teachers for what they add to student performance has led to a smaller, higher-paid teaching force in which subject-matter mastery, the ability to complement technology-driven instruction, and leadership are rewarded far more than longevity. Mastering those skills has led to

revolutions in teacher training, led first by new proprietary teacher training schools but quickly adopted by university-based schools of education.

Big cities have again become beacons of quality and innovation in public education. Although smaller districts cannot attract innovators as effectively as the big cities, they can and do hire the best school providers from nearby cities and from across the country. As a result, increasing numbers of suburban and medium-size districts have also become home to diverse mixes of schools, rather than vertically integrated bureaucracies.

### **What Existed in 2010**

The school districts of 2010 were built for another time, when it was an accomplishment just to provide a desk and a teacher for every student, expose all students to basic skills plus a little science and civics, and sponsor some extracurricular activities. When school districts were established, nobody expected every student to graduate or every graduate to be eligible for bachelors' degrees and professional jobs.

Beginning in the 1970s, expectations increased for school facilities, recreational facilities, student transportation, and extracurricular activities. Federal education programs created expectations for special compensatory tutoring for students who lagged behind and individualized programs for developmentally disabled students, all of which led to increased staffing at district and school levels. Union bargaining for smaller classes, fewer minutes of student contact, more aides, and more paid time out of school for teacher training further padded the staffing of districts and schools. By the 1980s, "good" schools were more expensive and better staffed than ever before.

Student achievement, however, did not improve over time. Even students who were supposed to benefit from special instruction (e.g., as funded by federal programs) benefited slightly if at all. Using a more demanding standard of "goodness" (i.e., performance), schools were no better though more expensive. Using another measure, productivity, schools were actually worse; they got about the same results as before but at higher cost.

School districts had also lost the freedom to solve problems. Although federal and state programs provided extra money to support particular programs, they required districts and schools to build their administrative structures around those programs. Program rules also dominated decision making about which instructional programs schools would offer, how students would be assigned, and how students and teachers would use their time.

Teacher union contracts also took away district freedom of action. Unions came to dominate state legislatures, which then strengthened collective bargaining, made it easy for teachers to get tenure, and linked pay to longevity, not performance. Unions

then used the threat of strikes to bargain for greater control over hiring, assignment of teachers to schools, class size, teachers' duties, length of school day, and investments in performance improvements.

The results were weakened district and school leaders who had lost control over teacher hiring, assignment, workload, and pay, as well as how students could be grouped for instruction. Teacher collective bargaining agreements determined how nearly sixty cents out of every dollar were to be spent; most of the remaining forty cents were controlled by state and federal program rules and court orders.

District leaders, concerned about school performance, had to work within many "givens": a fixed set of schools and teachers, strict salary policies, state mandates to spend exact amounts of money on particular functions, and required central office administrative structures.

In big cities local heads of business would occasionally offer to mentor the superintendent, giving advice that presumed the superintendent was a CEO and thus could reallocate funds, start and terminate programs, and hire, fire, reward, and punish based on performance. Superintendents, however, had little power, other than to exhort or inspire, and few could hold their jobs long enough to make a difference.

### **Forces for Change**

Even when defended by laws, regulations, and teachers unions, the dysfunctional arrangements evident in 2010 could not last forever. Traditional public school districts were beset from many sides. Beginning in the late 1980s, the education standards movement, premised on the idea that every child must be educated well enough to have choices among higher education and remunerative forms of work, shone a spotlight on the huge gaps in achievement between middle-class and low-income students. The persistent low performance of big-city districts was unmistakable. And though states that had embraced standards-based reform policies shied away from their promises to hold schools and districts accountable for performance, the facts ultimately led to change.

In 2002, the federal No Child Left Behind Act took the states up on their commitment to standards by requiring districts to provide options for children in the lowest-performing schools. Although the federal government did little to enforce these requirements, and some states made low-performing schools disappear by lowering standards, district leaders everywhere knew that their days of freedom from performance pressure were numbered.

Beginning in the late 1980s, businesses and foundations, looking afresh at local schools, were astounded at how inflexible and intellectually impoverished they were. In most metropolitan areas it was obvious that the school district had walled itself off from

many valuable educational resources. Big-city districts hired from the bottom of the pile of local college-educated adults and made no use of the talents and learning opportunities available through local colleges and universities, orchestras, museums, businesses, foundations, and other nonprofits.

Chicago was the first to attempt wholesale transformation of its school district. But Chicago's first initiative, crafted by a coalition of foundation and business groups in 1989, misfired. State legislation creating elected local governing councils for every school reduced the power of unions and bureaucracy, but so-called democratic localism made many schools into interest-group battlegrounds, with different neighborhood and racial factions vying for control of jobs and money.

The failure of Chicago's first effort revealed that some school districts are too weak and too divided to fix themselves. The result in Chicago, however, was a new schools initiative, which opened up the school system to nonprofits, civic groups, and cultural institutions that wanted to develop new schools. The enactment of charter school laws gave Chicago an additional tool with which to create new schools.

Chicago and other districts embraced charter schools as a way of creating options for their students. In addition, charters approved by entities other than school districts grew rapidly in metropolitan areas. Soon districts from Oakland to Boston found themselves losing students—chiefly poor and minority students who previously had no alternatives other than district-provided schools—to charter schools.

Combined with slow reductions in inner-city populations, the loss of students to charters created financial crises in many districts. Chicago, Oakland, San Francisco, Cleveland, Dayton, Detroit, St. Louis, Seattle, Denver, and Dallas (to name just a few) found themselves in permanent deficits. Their obligations to maintain unneeded school buildings and pay fixed numbers of teachers and administrators meant that costs exceeded income. Many districts were also burdened by permanent benefits to retirees (Los Angeles's \$10 billion retiree health-care liability, for example, could claim the first \$2,000 of the roughly \$10,000 available annually to pay the cost of each student's instruction). Districts had become pyramid schemes, able to sustain themselves only if student populations grew indefinitely. As soon as student population growth ended, they were broke.

City districts also faced accelerating competition from online schooling offered by community colleges and private schools.

All these economic, political, and regulatory forces came together to set the stage for the transformation of big-city public education that took place between 2010 and 2030. Changes did not just happen, however; aggressive, entrepreneurial leaders made them happen by seeking new legal authorities, taking control of previously wasted funds, building new sources of support among parents and nonprofit groups,



and subjecting all schools to competition and performance pressure. Initiatives combining these features, called *portfolio strategies*, are described above.

At first the key leaders of portfolio strategies were mayors—Bloomberg in New York, Daley in Chicago, and Fenty in D.C.—and a state superintendent, Pastorek, in New Orleans. But as the new district model became better defined and more familiar, less senior leaders were able to be effective: visionary superintendents (e.g., Bennet and Boasburg in Denver), school board members and parent advocates in Los Angeles, and local foundation heads in New Haven and Cleveland.

In the ensuing twenty years, traditional district structures throughout the country were swept away by a trio of forces—competition from charter and private schools, reductions in public funding, and federal and state pressures for higher school performance—and replaced by public entities with very different structures and missions.

In 2030, there are still mechanisms for public investment in and oversight of elementary and secondary education. These, however, are dramatically more flexible, more competitive, driven to seek higher performance, and more open to innovation than current school districts.

### **Results by 2030**

In the first districts to adopt portfolio-style management of public education (New York, Hartford, New Orleans, Chicago, and Denver), performance increased incrementally at first because new schools were concentrated in neighborhoods with terrible schools. Over time, however, student test scores and other outcomes (e.g., high school graduation, readiness for college) have increased districtwide, as competition and imitation of best practices lead to continuous improvement.

Although growth in government spending has been slow, increased private investment in new technologies and school provider organizations has led to steady growth in overall spending on K-12.

In 2030 there are still achievement gaps between high- and low-income students, though these are less than half the size evident in 2010. Moreover, the numbers of students with extremely low levels of proficiency have been greatly reduced. As a result, high school graduation rates approach 90 percent, and the proportion of students needing remediation on entry to college has dropped to half that of the 2010 level.

Although there is continued agitation to return to the good old days of input control and job security, governors and public officials are determined to sustain the continuous improvement processes at the core of the new school district model.

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