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ABSTRACT

In 1993, the Minneapolis School District entered into a 3-year contract with a private company, Public Strategies Group (PSG). Under the contract, the president of PSG was to serve as the district superintendent and meet certain goals and objectives determined by the district. This paper presents findings of an evaluation of the Minneapolis/PSG collaboration. Data were derived from a review of the contract and supporting documents, a site visit, and interviews. After 18 months, the Minneapolis School District determined that the company had achieved most of the contract goals and paid PSG $473,000 or 66 percent of the $716,500 that PSG was to receive under the contract if it fully achieved each goal. Outcomes for which PSG was paid included a decline in the suspension rate, increased attendance, and increased family involvement. PSG also received payment for developing baseline measures to assess student performance, identifying the predictors of effective teaching, and developing a strategic plan for the district. The company did not receive payment for unimproved student test scores and unsatisfactory negotiation of the teachers' contract. The Minneapolis/PSG contract remains in effect. The most recent report showed that most goals were met in the fourth quarter of 1996. Students enrolled for at least two test periods made gains in reading and mathematics on the 1996 California Achievement Tests. (LMI)

The Private Management of Public Schools:

The Minneapolis, Minnesota, Experience

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The Private Management of Public Schools:

The Minneapolis Experience

In 1993, the Minneapolis School District entered into a 3-year contract with a private company, Public Strategies Group (PSG). Under the contract, PSG pres. was to serve as the district superintendent and meet certain goals and objectives determined by the district. The PSG/Minneapolis effort was the only contract in which a portion of the company's pay was linked to the achievement of specific goals, such as improvements in student outcomes. Of the private management efforts we reviewed, the Minneapolis/PSG effort is the only one that is still in effect.

Our study of the Minneapolis/PSG collaboration included a review of the contract and supporting documents, as well as a site visit to Minneapolis. We reviewed the Minneapolis Public Schools Work Plan. We interviewed stakeholder-superintendent, PSG partners, school board members, teachers unions, principals teachers and parents.

Background

The Minneapolis District is in a large, multicultural city, which has undergone dramatic changes in ethnicity, race, and income during the past 20 years. In school year 1994-95, 36 percent of the families received benefits from Aid to Families With Dependent Children; 65 percent of children in first grade were eligible to receive free or reduced-price lunches.

In 1995, the Minneapolis District served about 45,000 students, with an average per pupil expenditure of $5,890. Minority children accounted for 61 percent of the students. That number was projected to reach 70 percent by 1998. In school year 1994-1995, 37 percent were African American children, 11.8 percent Asian American, 3.2 Hispanic American, 7.2 percent Indian American, and 40.8 percent white American. These children came from families in which over 70 different languages and dialects were spoken. Major language groups included Cambodian, Hmong, Lao, Russian, Spanish, Ukrainian, and Vietnamese. For a decade, the gap in test scores between minority and white students has been widening.

At the time of our study, the Minneapolis school district consisted of 99 schools. There were 49 elementary schools, 11 elementary schools, 1 special education elementary school, 7 middle schools, 7 senior high schools, 1 special education high school, 7 learning centers, 1 technical college and 15 alternatives schools. The total number of personnel in the District in 1994-1995 was 7,000. There were 180 administrators and principals, 4,000 teachers and 2,820 support staff.

Impetus for Contracting

In 1993 when the school board began looking for a new superintendent, they were convinced that the challenges facing the district required a new approach to leadership. The district's image had suffered severely under a previous administration that had been characterized by fiscal mismanagement. There was a general feeling that the district had no clear sense of direction and the increasing needs of the students were overwhelming the system. Of note, the district was concerned that the learning gap between minority and white children was widening.

The school board was interested in developing a way of holding the superintendent accountable for results. They wanted the option of quickly terminating the superintendent if that person did not meet expectations. The process to select a superintendent was the same used in the past, but there was one notable difference; the announcement stated that non-traditional candidates could applied.

The president of Public Strategies Group (PSG) surfaced as a viable candidate for the position for a number of reasons. He had served as a consultant to the district and had been credited with improving the district's financial management. He also had a business and financial background that school district found very appealing. The PSG president was a well-known member of the Minneapolis community. He headed the philanthropic wing of Dayton Hudson Group and had been credited with saving the company from a takeover.

The Model

In December 1993, the school board entered into a contract with the PSG president. Under the contract, PSG was to serve as the district superintendent. Later, the PSG president convinced the board to designate the company as the superintendent. In October 1994 , the contract was amended designating PSG, the company, as superintendent. Under this model, the PSG president continued to serve as the superintendent. To operate under this scenario, the district had to obtain a waiver from the state. Minneapolis state law requires an individual be designated as superintendent be license by the State Board of Education.

Founded in 1990, Public Strategies Group is a St Paul based for-profit consulting company. According to PSG, they specialize in transforming public bureaucracies into public enterprises accountable to the citizens they serve. The company is headed by Peter Hutchinson, president, and Babak Armajani, chief executive office; both are former state finance officials. Prior to establishing the PSG, Peter served as Minnesota's Commissioner of Finance and as Vice President, External Affairs for the Dayton Hudson Corporation. Armajani Served as an executive in Minnesota state government. He is also co-author of the book Reinventing Government. PSG has about nine associates with various expertise and provides services to their clients.

A central tenant of the model, which PSG refers to as the superintendency, is that leadership is shared and that no one person can effectively lead. That, is broader group or team is more powerful and versatile than one person and the team will outlast any individual. In fact, under the model, leadership is shared among key school district staff. The company's stated goal is to cultivate current Minneapolis district administrators to assume management of the schools when the company's contract expires.

Under Minneapolis' contract, the president of PSG was to perform the duties of school district superintendent and achieve certain specific goals. PSG's president was to be paid an annual salary of $60,000 for serving as superintendent. In addition, the company was to be reimbursed for reasonable expenses. Except for the superintendent's salary, PSG could only generate additional payment if it met specific goals stated in the contract. The 3 major goals related to improving student outcomes, community trust and involvement in school, and management and accountability. For each goal, the district established indicators, such as changes in test scores and attendance rates, that were intended to help the district assess the extent to which the goal had been achieved. Under this contract, PSG could earn between nothing and $470,000, in the first year of the contract.

The contract could be modified or changed from year to year to reflect different priorities. The contract could also be terminated by either party with 30 days' notice.

The Implementation Process

Similar to the Dade/EAI effort, the PSG/Minneapolis collaboration was generally supported. Both parties worked together to develop the contract, which include a district agenda for improvement. In developing the agenda, the parties met to decide on the goals, how to measure them and how much PSG would be paid if it achieved those goals. After these issues had been settled, PSG and the school board spent time building district ownership in the improvement agenda, which was specified in the contract. For example, the parties solicited input from principals, teachers, parents, students, unions officials, and administrators.

With goals set, the school board met with PSG monthly to discuss their progress. PSG's performance was monitored through data and results of surveys. In addition, the school board requires that quarterly reports be prepared documenting company progress toward performance goals. If the goals are not reached, the company simply is not paid.

The Outcomes

In Minneapolis, PSG president served as the superintendent and the company at least partially achieved most of the goals specified in its contract. As of June 1995, after 18 months of the 3-years contract, the Minneapolis School District determined that PSG had partially achieved some to the goals and paid PSG $473,000 or 66 percent of the $716,500 that PSG was to receive under the contract if it had fully achieved each goal. For example, the company was paid when the suspension rate dropped, attendance increased, and families' involvement in their children's education increased. PSG was also paid when it developed baseline measures for assessing student performance, identified the predictors of effective teaching, and developed a strategic plan for the district. It was not paid, however, when student test scores did not improve or when it did not negotiate the teachers' contract to the district's satisfaction. The contract with PSG remained in effect until December 1996.

The Minneapolis School District reported slight district wide improvements in attendance. Attendance rates increased from 90.5 percent in school year 1993-94 to 90.7 percent in school year 1994-95, according to districts officials. Suspension rates for all students in school year 1994-95 decreased in 7 of 10 months compared with school year 1993-94. The decrease in suspensions, a PSG contract goal, is a result of a change in how student discipline is managed, district officials said.

In addition, before PSG, there was the feeling among many people in the district that the central office was not customer focused nor accountable. PSG reorganized central office operations, making them more customer focused and accountable.

Update

The Minneapolis contract remains in effect. Since our study, the school district continues to report that PSG is making progress in meeting the goals they have articulated. For example, their most recent district improvement report showed most of the goals were met in the fourth quarter of 1996. Results of the 1996 California Achievement Tests (CAT) showed that Minneapolis students who had been enrolled for at least two test periods made gains in reading and math. In fact, the students--irrespective of race, ethnicity or socioeconomic status--posted their best scores in five years.

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