

From Central Office to Portfolio Manager in Three Cities:
Responding to the Principal-Agent Problem

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Structured Abstract

Purpose: A growing number of districts are moving towards a Portfolio Management Model (PMM), in which central offices act as “portfolio managers” (PMs) that oversee—but may not actively manage—publicly-funded schools. Using the lens of Principal-Agent theory, which incorporates a focus on system alignment and incentives, we explore the changing role of PMs in Denver, New Orleans, and Los Angeles. We consider three theoretical responsibilities of PMs: identifying the goals of multiple principals; incentivizing and monitoring agents around principals’ goals, and selecting and developing agents who can meet principals’ goals.

Research Methods: This comparative case study draws on 76 interviews of system-level actors in three cities, including participants from central offices, political entities, and advocacy organizations. Analysis included coding, memoing, and the creation of detailed case profiles.

Findings: PMs in each city confronted similar tensions but addressed them in distinct ways, including meeting the needs of multiple principals such as the portfolio manager and parents, balancing school-based autonomy and the need to ensure school capacity, and providing autonomy for schools while pursuing system-level equity goals.

Implications for Research and Practice: We argue that the benefits or detriments of PMM approaches may be contingent upon the needs of schools and the system and the extent to which system leaders are able to effectively achieve coherence. We also point to limitations of a framework consistent with Principal-Agent theory, including assumptions about rational behavior and the extent to which PMs will incorporate the goals of other principals such as parents and communities.

Introduction

While not without variation, the core structures of U.S. public education have been largely resilient in the past 100 years: elected school boards have overseen local central offices that directly operate schools. Despite challenges, the central aspects of this “one best system” (Tyack, 1974) have largely persisted (Gamson & Hodge, 2016; McGuinn & Manna, 2013). In response to critiques of urban schools and districts, many contemporary education reformers have suggested that the only way to truly improve urban public education is through the fundamental restructuring of public education systems (e.g., Broad Foundation, n.d.; Finn Jr & Petrilli, 2013; Hill, Pierce, & Guthrie, 1997).

One popular strand of reform within this movement has been the Portfolio Strategy or Portfolio Management Model (PMM) (Bulkley, Henig, & Levin, 2010; Hill, Campbell, & Gross, 2012). Rather than a central office that directly operates public schools, “portfolio managers” (PMs) oversee—but may not actively manage—a “portfolio” of schools operating under varied types of governance, including autonomous, privately-managed, and charter schools. As Hill et al. (2012) argue, the concept of a portfolio is grounded in a market metaphor that links the role of the PM to that of the manager of a stock portfolio.

In this study, we add to the extant literature by describing the role of PMs (who could be district central offices, charter authorizers, state boards of education, etc.) in three urban school systems: Denver, New Orleans, and Los Angeles. We ground our analysis in principal-agent (P-A) theory (Gailmard, 2014; Loeb & McEwan, 2006), a theoretical lens that strongly relates to the market logic underlying the PMM idea. P-A theory offers a clear framework for understanding how advocates believe that PMs should operate, with a focus on oversight and strategic investments (a form of incentives) to enforce mechanisms for school quality in PMMs. Our

rationale for drawing on P-A theory is not normative, but rather as a means to interrogate the logic used by PMM advocates.

Although PMMs and their individual elements are becoming widely used reform strategies, there is virtually no systematic, empirical evidence that examines implications of this shift in governance for the ways systems operate and how central actors seek to shape and enable school improvement. The research that does exist focuses for the most part on single city case studies (e.g., Bulkley, Christman, & Gold, 2010; Marsh, Strunk, & Bush, 2013; Yatsko, 2012) and does not compare PMMs or the ways in which they oversee schools. Yet, how do these ideas play out in practice? In this study, we ask:

- How are portfolio managers in New Orleans, Denver, and Los Angeles seeking to resolve critical elements of the principal-agent problem?
- How do portfolio manager strategies to address these dilemmas vary across these three systems?

In the sections that follow, we consider the research on PMMs and how the PMM idea intersects with principal-agent theory. We then describe the methods for the study and introduce the three systems at its center. In the findings sections, we compare how the enactment of the PMM in these distinct systems addresses core issues raised by the principal-agent problem.

In the end, our findings illustrate how PMMs attempted to resolve principal-agent problems. First, we find that PMs in the three cities varied in their enactment of three core P-A responsibilities, especially in terms of balancing such as how they sought to balance giving agents autonomy to respond to local challenges as opposed to addressing system-level needs for equity and consistency. Second, while they confronted similar tensions, they addressed them in different ways. Notably, the three cities faced tensions around meeting the needs of multiple principals such as the portfolio manager and parents in areas such as school closure, around

balancing school-based autonomy and the need to ensure school capacity, and providing autonomy for schools while pursuing system-level goals around equity. Our study offers a framework and empirical analysis to better understand PMMs as they become increasingly common in urban systems.

Research on Portfolio Management and the Principal-Agent Problem

Portfolio Management and Educational Reform

PMMs fundamentally involve governance reform, which means altering the rules and structures of public education rather than dictating specific approaches to school practices such as those around curriculum or pedagogy (Bulkley & Hashim, in press; McGuinn & Manna, 2013). The focus on oversight over management is perhaps most central to the PMM idea, as the PM serves as a key gatekeeper, mediating between local needs and demands, on the one hand, and external pressure and resources on the other” (Bulkley & Henig, 2015, p. 54). In theory, PMs manage multiple, intersecting policy mechanisms that enable diverse school operators to offer students a high quality education. These policy mechanisms include: performance-based accountability; portfolio planning (e.g., which operators manage schools) based on that accountability; greater school-based autonomy; enhanced parental choice; more “flexible” human capital; varied strategies for capacity building; and strengthened community engagement (Bulkley, Henig, et al., 2010; Center on Reinventing Public Education, n.d.). The Center on Reinventing Public Education, founded by Paul Hill, counts at least 30 districts as part of its “Portfolio Network.”

The Principal-Agent Problem and Educational Governance

Economic and political science analyses of the P-A problem suggest that rational actors seek to meet their own goals, and that systems need to be designed in such a way that those who do the daily work (the “agents”) are motivated and able to meet the goals set up by “principals”

who direct the work of the agents (e.g. Gailmard, 2014; Holmstrom & Milgrom, 1991). As a result, principal-agent theory suggests that principals should use varied incentives to align the goals of agents with their own. This idea extends naturally to the PMM model, in which PMs build their portfolios through performance-based contracts with school-based agents such as school operators (e.g., Charter Management Organizations) and seek to ensure that agents have the capacity and autonomy to meet expectations for school quality as espoused by multiple principals including portfolio managers, families, and the broader community.

At its core, the theory of action underlying the PMM rests implicitly on critiques of traditional public school districts consistent with principal-agent analyses. For example, advocates for performance-based contracting argue that, because traditional public schools are “permanent” and will continue to operate regardless of whether they successfully educate students, there is little incentive for those in schools (agents) to attend directly to the quality of their “outputs” (the goals of principals) (Chubb & Moe, 1990; Hill & Celio, 1998; Kolderie, 1990). Critics in this vein also argue that the focus of traditional school districts on educational “inputs” such as fiscal resources, requirements around teacher certification, and extensive regulation, has created rigid and complex bureaucracies in which the goals of school-based agents and principals are obscured and misaligned, and the ability of those agents to make needed changes unnecessarily restricted, making it challenging to achieve desired outcomes of educational efficiency, effectiveness, and equity (Betts, 1998). From the perspective of principal-agent theory, clear performance goals and meaningful incentives to achieve those goals have been historically absent from educational governance systems (Chubb & Moe, 1990; Lake & Hill, 2009). Although federal policies like NCLB brought sanctions to schools for not meeting performance expectations, these incentives or consequences were often perceived as problematic in that they encouraged strategic behavior that could promote inequality in a variety of ways

rather than focusing schools and systems on underlying achievement issues (Booher-Jennings, 2005; Darling-Hammond, 2007; Ryan, 2004). In terms of P-A theory, this reinforces a classic dilemma in which the incentives do not motivate agents to address the goals of principals.

Therefore, a PMM seeks to resolve the principal-agent problem by establishing and closely monitoring performance contracts. These contracts delineate specific expectations to some or all schools in the system for performance around a variety of outputs, while giving schools significant school-based autonomy around the allocation of educational inputs necessary to achieve their goals. Importantly, the agents themselves are often involved in writing these contracts and setting goals -- agreeing to performance criteria, a timeline to meet these criteria, and incentives to meet goals such as closure or increased autonomy (Lake & Hill, 2009). This process and the act of applying to establish a new school theoretically aligns principal-agent goals and motivation to achieve them. Incentives including the threat of closure (for low performance) or the potential for increased autonomy or additional schools (for high performance) are theorized to improve the motivation of agents and to align their goals with those of the principal (Lake & Hill, 2009).

Here, we highlight three portfolio manager responsibilities relevant to principal-agent theory. Figure 1 highlights these PMs' responsibilities and how they are theorized to improve schools. Proponents believe this should result in agents that are both motivated to pursue the goals of multiple principals and have the capacity to successfully meet those goals.

Responsibility 1: Identifying the Goals of Multiple Principals

Portfolio managers not only need to clearly identify their own goals, they also need to serve as an important intermediary that takes into consideration the goals of other principals (i.e., parents and community members) when designing methods for gathering information about agents' progress on principals' goals. As is often the case in P-A analyses, agents are expected to

align their actions with the goals of *multiple principals*, which generate conflicting expectations for agents and allow them to capitalize on resulting information asymmetries to their own advantage ((Gailmard, 2014; Miller, 2005). As the central actor, the PM must minimize the extent to which goals of different principals are in conflict (Woessmann, 2007).

We pay attention to three sets of principals: the PM (representing the goals of governmental actors), parents, and the broader community. For example, the PM may focus most closely on student test scores, while parents may place more emphasis on school safety, relationships between staff and children, and proximity to their homes. One of the PM's primary roles is to develop a portfolio consisting of a mix of governance structures within which schools will operate (i.e., charter schools, traditional public schools, and different forms of semi-autonomous schools) (Bulkley, 2010). In theory, the PM's efforts to balance autonomy, accountability, and choice should allow the PM to meet their own goals (e.g., equity and access to high quality schools for all students, systemic improvement in school performance) while attending to those of parents and the community. In this context, parents can influence the system of schools by exercising their power to choose schools across the system (bringing enrollment dollars with them), and communities may contest PM decisions about the schools that open or close in their neighborhoods through strategies such as speaking out at board meetings, lobbying board members, or voting board members out. Additionally, the goals of parents and the broader community can also be reflected through the officials they elect (e.g., school board, mayor), who, in turn, influence how PMs develop their portfolio of schools.

Responsibility 2: Incentivizing and Monitoring Agents to Meet Principals' Goals

According to principal-agent theory, principals must design incentives to encourage agents to align their goals with those of the principals instead of pursuing goals that may be inconsistent with the goals of principals (Loeb & McEwan, 2006; Woessmann, 2007).

Addressing the principal-agent problem in a PM involves setting clear expectations and monitoring whether agents meet those goals or expectations. In P-A theory, this process is described as reducing information asymmetry between the knowledge of principals and agents on educational outcomes (Loeb & McEwan, 2006; Woessmann, 2007). Information asymmetry occurs when agents have much more knowledge of their practices than do principals (including portfolio managers), and thus are in a position to act in response to their own goals and preferences over those of the principals, and without the principal's knowledge. This is a challenge given that outcomes are difficult to measure and match to specific agents, and that school-based agents are accountable to not one but multiple principals (Loeb & McEwan, 2006).

To reduce potential information asymmetry between principals and agents and transaction costs in principal decision-making, PMs have to develop strategies for gaining knowledge of agents' success in meeting principals' goals. One strategy is the use of a common performance framework that sets clear expectations as to the outcomes expected of schools such as around student performance, attendance, safety, etc. (Center on Reinventing Public Education, n.d.). This framework is an explicit performance contract between the agent and the PM and acts as an incentive for goal alignment. The performance framework provides a foundation on which PMs are expected to make decisions (or recommend decisions to an elected board) about which schools and organizations should continue to have the ability to operate publicly-funded schools as well as the number and location of those schools.

The PMM idea incorporates other strategies, such as the possibility of school closure, for incentivizing schools to meet the goals of multiple principals. For instance, schools must attract students and families *and* meet performance goals to remain open. School closure is also one of the clearest points of tension between multiple principals, as PMs may seek to close schools for not meeting their goals while parents rally around those schools if they see them as meeting their

goals. Second, PMs can use their ability to shape access to resources (including highly desirable facilities) as a means to incentivize agents. Third, since parents theoretically have access to a diverse portfolio of schools in a PMM and their choices can have consequences for schools (e.g., maintaining enrollment and budget), teachers and school leaders also have strong incentives to meet the goals of parents. Finally, to motivate agents and provide them with the discretion needed to respond to local circumstances, PMs must attend to the challenges of multifaceted outcomes, some of which cannot be closely monitored by the principals (Holmstrom & Milgrom, 1991). In this context, PMs may need to give up some control to schools (provide autonomy) because “doing so gives the agent greater incentive to use its information” to adapt to local circumstances (Gailmard, 2014, p. 97). Thus, having autonomy and reduced monitoring of inputs while increasing consequences and incentives for outputs adds greater risk (i.e. of school closure) as well as motivation for the agent (Miller, 2005).

Responsibility 3: Selecting and Developing Agents Who Can Meet Principals’ Goals

While less explicitly addressed in much of the education literature on the principal-agent problem, the PM as principal is often able to select the agents that will work to meet their goals in the sense that they are selecting which schools will open and under what structure and management they will operate. Thus, the PM can shape the set of schools offered in their portfolio that they believe can meet the goals of multiple principals. Planning processes in a PMM, in which decisions are made about which schools/operators should function in what locations, are, in theory, a way to engage all three core principals (the PM itself, parents, and the community) in decisions about the composition of the portfolio, including decisions about closure. This work requires principals to identify agents who they believe are well-positioned to meet those goals and (as discussed below) to ensure that appropriate supports are in place for those agents to meet those goals. In terms of developing the capacity of existing agents to meet

goals, PMs seek to address this issue by giving schools more autonomy in *human capital* decisions around hiring, salaries, staffing patterns, etc., and by facilitating the development of a portfolio of district and external support providers (e.g., engaging outside organizations) from which schools can choose to build *capacity* for improvement. Portfolio managers may aid schools in determining their needs through providing data for formative purposes, but they may not necessarily direct agents in how to respond to that data since those working in schools may be better able to identify appropriate responses.

Critiques of Principal-Agent Theory

Since PMMs clearly rely on P-A mechanisms in that both are rooted in the use of incentive-based contracts, we use P-A theory as a lens to understand the role of PMs in New Orleans, Denver, and Los Angeles. It is, however, worthwhile to consider the critiques of P-A theory. In particular, P-A theory as applied in PMMs assumes that principals act as rational actors *to benefit students*. However, as others have noted (e.g. Trujillo, 2014; Widmalm, 2016), this negates the likely important role of personal gain over other goals as a driving force for principals. In addition, P-A theory, with its reliance on monitoring, by necessity relies on monitorable goals (Kerr, 1995). This may have the effect of oversimplifying complex problems and neglecting the importance of professional judgment and educators' focus on social and developmental goals that are important for students (Trujillo, 2014).

Background on PMM Contexts

Denver Public Schools

The central office of the Denver Public Schools (DPS) is the sole PM in Denver. In 2016-17, DPS oversaw a portfolio of 207 schools serving about 92,000 students that included 94 traditional public schools, 51 charter schools, 50 “innovation” schools (semi-autonomous schools that can apply for waivers from state or district policies), and 12 magnet schools. DPS served as

both authorizer and Local Education Agency (LEA) for all charter schools in Denver; as the LEA, it maintained legal responsibility for all publicly-funded schools within DPS. Located in a state with a robust set of broad policies around school choice, Denver has been held up as a “model” for the idea of portfolio management, and saw less of the divisive politics around governance change and the growth of charters schools found in places such as Los Angeles (Osborne, 2016). Consistent leadership from district superintendent Tom Boasberg is both an explanation for and a reflection of this environment, as he favored “reform” approaches and collaboration between the different school sectors within the portfolio (Marsh et al., 2018).

New Orleans

At the time of the study, New Orleans had two distinct PMs – the long-standing Orleans Parish School Board (OPSB) central office and the state Recovery School District (RSD).¹ The New Orleans portfolio system was comprised mostly of charter schools, with a handful of traditional public schools that were shifting to have charter-like autonomies. In 2016-17, there were 86 schools in New Orleans. Of these, 79 were charter schools authorized by the Louisiana Board of Elementary and Secondary Education (BESE) via the RSD (49 schools) or OPSB (25 schools) and six were traditional public schools directly managed by the OPSB (a handful of other publicly funded schools are not included in this analysis) (Babineau et al. 2017).

The shift in the PMM direction took hold in the wake of Hurricane Katrina’s unprecedented damage in 2005, but the seeds were already planted via state laws allowing charter schools, creating the RSD, and allowing the state to take over persistently failing schools across Louisiana. After the storm, the RSD took over all low-performing schools (under BESE as authorizer) while OPSB maintained control over the historically high-performing schools. The

¹ BESE also ran a small number of schools directly.

state's leadership was highly supportive of the PMM system and charters, although many locals were divided over the reforms (Jabbar, 2015; Marsh et al., 2013). Outside experts and substantial federal and private funding supported the swift and dramatic reforms to convert the majority of traditional public schools to charter schools (Buerger & Harris, 2017).

Los Angeles Unified School District (LAUSD)

While PMs in Denver and New Orleans sought (with varied success) to treat all schools under their oversight in roughly similar ways, LAUSD took a different approach in which schools run by the district were treated quite differently than independent charter schools. LAUSD is the second largest district in the nation, both in terms of geography and the number of schools operated and students served. At the time of our study, LAUSD had a highly polarized reform climate, with a divide between the union and education “reformers” (including charter school advocates). LAUSD also operated in a state fiscal context that provided some of the lowest levels of per-pupil funding in the nation and helped to fuel a climate of “self-preservation” among senior leadership and middle management.

It is within this local context that LAUSD gradually evolved into a portfolio district incorporating eight school models with different management and governance structures. Seven of these models were run by LAUSD (traditional public schools, magnet schools, pilot schools, ESBMM, LIS, network partnership, and affiliated charter schools), while a distinct sector of conventional independent charter schools (mostly authorized by the LAUSD school board) operated largely separate from the district central office. The 1,010 schools operating in Los Angeles in 2016-17 included 575 traditional public schools, 212 in-district schools with varied structures, and 223 independent charters. While there are differences within the district-run models (including varied approaches to oversight and support), the clearest distinction in terms of the role of the PM in relation to the schools is between the district-run and charter sectors.

Methods

This paper comes out of a broader study which uses a multi-method comparative case study approach to exploring system change, as analyzed here, as well as the connections between system-level change, school-level educational practices, and student outcomes within Denver, New Orleans, and Los Angeles. The cases were purposively selected to demonstrate variations in conceptualizations of the PMM idea, local capacity and context, and school management structures. The qualitative cases analyzed in this paper are particularly appropriate for analysis of systems because they can provide a contextually-embedded, in-depth analysis of PMM reforms in practice (Miles & Huberman, 1994; Yin, 2013). Here, we draw primarily on system-level interviews to describe how each PMM addressed responsibilities and principal-agent tensions.

Data Sampling and Collection

Between June of 2016 and December of 2017, we conducted semi-structured interviews with 76 system actors in the three cities. This included leaders and mid-level administrators overseeing the key mechanisms of change within PMs, as well as formal and informal leaders in labor unions, school boards, mayors' offices, advocacy organizations, local philanthropies, state departments of education, charter management organizations (CMOs), and organizations that work directly with aspiring or practicing educators (see Table 1). Interviews focused on 1) the design and execution of key PMM mechanisms, and 2) the broader history, politics, and institutional norms shaping these systems and policies (Marsh et al., 2018). We constructed our sample of respondents based on thorough reviews of media accounts of important actors in each city, existing networks within the research team, and snowball sampling.

When possible, two researchers conducted each interview, enabling both to identify critical issues and areas for follow-up within the interview as well as to take detailed notes. Interview recordings averaged 58 minutes and ranged from 30-107 minutes. Most interviews

were conducted in-person; when in-person interviews were not viable, interviews were instead conducted by phone. We also gathered system-level documents (e.g., strategic plans, website descriptions of school governance models, journalist accounts, existing research and reports) to provide further insights into the structures and context of each PMM system. All of the interviews were recorded and transcribed with the exception of one in which the participant did not consent to recording. In this instance researchers took detailed notes.

Data Analysis

Given the extent of the data gathered and the breadth of the questions in regard to system change, our process involved multiple rounds of data reduction and analysis. Our overall approach combined a deductive analysis of the enactment of specific mechanisms tied to the PMM theory of action while also allowing patterns and themes to arise inductively. To ensure credibility (Patton, 1990), we had regular team discussions about questions that arose during coding and the writing of memos. In addition, we positioned some team members to collect data in all three sites to provide a broader comparative perspective while allowing some team members to develop more in-depth understandings of single sites.

Our coding procedures, using NVivo, began with systematically and iteratively coding all interview transcripts, seeking to ensure that multiple perspectives were incorporated in our analysis (Strauss & Corbin, 1994). We started with broad, *a priori* codes; a set of these codes were tied specifically to the core policy mechanisms underlying the PMM idea (including performance-based accountability, enhanced autonomy, increased parental choice, more flexible human capital and capacity building). The coded data were then used to develop extensive system-specific case profiles, using quotes from participants, that involved a more inductive approach to identify new categories and themes related to each mechanism as well as mechanism

interactions as they emerged (Fereday & Muir-Cochrane, 2008). These system-level profiles (ranging from 123-188 single-spaced pages) formed the foundation of the second analytic phase.

Following this first phase of analysis, we returned to the literature to inform our analysis, focusing on the theory of action underlying the PMM and the ways in which each system was designed around core ideas central to P-A analysis, including performance-based accountability, autonomy, and capacity building. In this phase, we did a more fine-grained coding of the system profiles. We then constructed detailed memos around specific aspects of design, using an inductive approach to identify critical data and patterns as well as ways in which components of the design interacted within each city. We triangulated data across a broad range of individuals as well as documents, using this strategy to identify both common patterns and inconsistencies (Patton, 1990). These memos incorporated data around the number of respondents who made particular assertions, thus enhancing our confidence in the strength of findings. We developed matrices around different aspects of system design and identified critical points for cross-case comparison, meeting regularly as a team throughout the process to discuss themes. Once critical comparative points were identified, we wrote a second set of more focused memos that highlighted critical elements of system design that were central to both within case description and cross-case analysis. These memos were shared and critiqued by other team members. Finally, from these memos and matrices, we developed individual case narratives that contained all case-specific analysis and data as well as critical points of cross-case comparison. These formed the foundation of the findings that follow.

Findings

Comparing Enactment of the Portfolio Manager Responsibilities

In this section, we examine how system level actors enacted the role of each PMM with respect to the three core P-A responsibilities. Our analysis led us to broad characterizations of

these systems (see Table 2). We identified DPS as a “centralized portfolio” in which a single PM was the central principal not only in goal alignment and incentives, but also in providing and directing work around the capacity of school-linked agents regardless of school governance. As a centralized portfolio, autonomy was used both as a tool to enable educators to use their localized knowledge to serve students as well as an incentive for all schools. However, the range of autonomy available to schools in different sectors was narrower than in the other two cities.

New Orleans was a “managed market” form of a PMM, in which families drive decisions about student enrollment via a centralized system while schools have substantial autonomy (Harris, 2017). The role for the two PMs was largely to manage this autonomy and choice, design and enforce expectations around goal alignment via a strict performance-based accountability system, and maintain a “market” approach (e.g., mostly “hands off”) around issues of school capacity. Unlike a pure market, the PMs increasingly managed schools in areas like student discipline and choice processes to improve equity and access (Marsh et al., 2013).

We identified LAUSD as having “competing systems” because the central office as PM engaged with the varied school models quite differently. Tensions arose as the schools in the two systems competed for the same students and resources, and one system (district-run schools) was under a union contract while the charter schools (which were fought by the union) were not. For the district-run schools, the central office functioned in a relatively traditional hierarchical fashion, identifying goals around outcomes, inputs (staffing) and process (compliance). The central office was much less involved with charters, which largely operated as a distinct market-based system. While LAUSD sought alignment around both outcome and compliance expectations, it also ceded much of the decision-making around which charter schools operated to families through information families could find on their own or information conveyed by individual schools.

Responsibility 1: Identifying the Goals of Multiple Principals

In order to address the goals of multiple principals, including the PM, the community, and families, the PM must identify its own goals while being sensitive to the fact that communities and families have varied goals themselves and should have some avenue to communicate their goals and integrate them into the system.

Denver and LA relied in part on elected school boards to represent the varied principals. The reliance on the state RSD in New Orleans minimized the most direct path for communities to act as principals, through their locally-elected school boards. Nevertheless, the PMs in New Orleans and Denver sought to understand and identify the goals of the community around where schools should locate and with parents around how to choose the right school for their children. According to central office staff, DPS worked in collaboration with the locally-elected Board of Education (as a representative of the community as a principal) to strategically identify needs for school openings through a Strategic Regional Analysis (SRA).

In both New Orleans and Denver, community advocates and PM staff described community engagement as problematic over the course of the reform movement. For example, in the initial years of the reform, RSD and OPSB did not actively attempt to involve parents or communities in setting priorities for opening new schools— and in some cases parent and community desires were ignored altogether. According to one nonprofit leader, the community's voice was “tossed aside” in planning decisions, as they were treated as passive recipients to be informed of decisions rather than critical stakeholders whose preferences should be considered in those decisions. Two interviewees reported that RSD had recently been thinking strategically about how to make the process of school opening and closing clearer, more transparent, and based on consistent criteria. For example, both RSD and OPSB staff members described including racially and locally representative individuals on their charter application review

teams. LA also made efforts at community engagement, with mixed success, as a result of initiatives such as the Public School Choice Initiative and requirements under the state's Local Control Accountability Plan (Marsh, 2016; Marsh, Strunk, Bush-Mecenas, & Huguet, 2015).

In the LAUSD charter sector, parents as choosers had a role in determining if charters met principals' goals. In some cases, families could exercise their role as principals via input on new school openings and school reviews by participating in stakeholder meetings. However, the role of this input was unclear. Moreover, whether by choosing to exit a school or participate in a school review panel, parents were only able to influence the district's decision-making on a school-by-school basis. According to respondents, the absence of a unified choice system in LA could be linked to the tense political history between the district and charter schools, leaving little incentive for LAUSD and the charter sector to collaborate on student enrollment.

Responsibility 2: Incentivizing and Monitoring Whether Agents Meet the Principals' Goals

In all three cities, systems for measuring school performance were the primary means of monitoring the success of school-based agents. Common performance frameworks as a means for monitoring school-based agents can be seen as seeking to address two critical issues tied to the principal-agent problem. The first, meeting the needs of multiple principals, would [ideally] be met through a framework and specific measures that was perceived as incorporating principals' goals. In Denver, one participant suggested that this was the case, stating that, "I think that's part of why we tried to use SPF as the one big overarching accountability matrix because in Denver parents care about SPF, schools care about SPF, the board cares about SPF. That is the common indicator." Secondly, such performance frameworks may eliminate the need to closely monitor the practices of agents (thus reducing the problem of information asymmetry) if the measures accurately demonstrate agents' success in meeting principals' goals. As other

principal-agent scholars suggest (e.g. Miller, 2005), monitoring the outcomes transfers the responsibility (or risk) to the agent in terms of meeting principals' goals.

DPS and New Orleans used common systems across all schools that were driven in part by state accountability systems, while LA used varied systems based on the particular school model. The RSD and OPSB used performance frameworks that included multiple financial, organizational, and academic measures used for accountability purposes (academic growth was not included at the time of this study) to monitor school operations agents around PM goals. While respondents raised questions in both cases as to whether the *consequences* from these performance frameworks were always consistent, there was general agreement that these expectations were clear. In terms of monitoring the progress of agents toward principals' goals, DPS used the *School Performance Framework* (SPF) that consisted of multiple measures, including academic growth (the most heavily weighted component), academic proficiency, college/career readiness, student engagement, enrollment rates, and parent satisfaction. Many participants noted that expectations were consistent across schools and that DPS sought to be "agnostic" to school type when considering the common criteria for measuring performance.

Monitoring of schools in LAUSD did not rely on a uniform approach of measuring progress toward principals' goals across different school providers. Unlike the performance frameworks in Denver and NOLA, the district published annual school report cards to monitor school performance. These report cards included information on students' academic proficiency, attendance, graduation rates, school safety, and student, parent and community engagement. The district published these report cards for charter schools as well, but they were largely incomplete due to limited access to charter school data.² Ultimately, these school report cards fed into

² Due to budget constraints, LAUSD discontinued publishing school report cards starting in the 2016-17 school year.

accountability frameworks for evaluating and managing school performance, but these frameworks again varied substantially across school models. For instance, LAUSD's accountability framework for in-district, semi-autonomous schools looked at instructional program alignment with a "growth mindset" and stakeholder input, whereas its accountability framework for magnet schools focused exclusively on racial integration. For charter schools, the district again maintained a compliance-oriented approach emphasizing school performance, governance, leadership/operations, and finances. Additionally, for all of these different accountability frameworks, simultaneous shifts in standards for school accountability at the federal and state levels due to the re-authorization of ESSA made it difficult to base decisions on school renewal and closure on the basis of performance data. Indeed, central office staff in the district used phrases to describe how performance was measured in the accountability system such as, "[a void], in flux, like 'playdough,'" and "holding pattern"; implying that these metrics could not be taken too seriously.

In addition to monitoring performance, portfolio managers also used a variety of incentives and consequences to motivate agents to meet goals. These include consequences such as school closure/non-renewal/reorganization and the availability of autonomy. Both Denver and New Orleans PMs relied on school closure to motivate school-based agents. In Denver, school closure was used relatively aggressively (especially in the early PMM years). Several charter leaders described a higher standard for charter schools, and thought of DPS as being more aggressive about closing them. As one CMO leader explained: "I do think there's more of an appetite for closing low performing charters. I don't think that's necessarily a bad thing, because I think there should be a higher degree of accountability around charters, just given the nature of the autonomies that are provided."

In New Orleans, the RSD in particular relied on closure and takeover to meet principals' goals. While OPSB had not closed any schools, mainly because the district maintained control only over previously high-performing schools, both OPSB and RSD staff viewed closure and takeover as key strategies for reform and systemic improvement. As one RSD staff member said, "[School closure is] our most important lever for change... [I]f you're not meeting the minimum standard, then we have a duty to act on it... [We] have been very aggressive in using it as a strategy." This orientation contributed to already heated tensions between reformers and the community. Community advocates, who were highly opposed to school closure as a reform strategy because of the disruption to students and families that had chosen to remain in the school, were skeptical of using closure as a policy lever and raised concerns about the transparency of the process. Thus, PM staff stressed that takeover was becoming more politically palatable in a tense environment, and was less disruptive to the community than a closure.

While enrollment pressures served as a motivator for some schools in LA, especially charters, the threat of school closure as a sanction for low school performance was less powerful than in the other cities. For district-run schools, central office administrators explained that the district was simply "not in the business of closing its own schools," with recent closures of pilot schools being largely driven by low school enrollment and high fiscal costs for operating these schools alongside considerations of low student achievement. As one central office staff member put it, "the majority of these schools that are really struggling get warning letters that give them suggestions of things to work on. There is not heavy-handed accountability." Non-renewal and revocation of charters were also equally rare (although highly publicized by the media), with charter schools more likely choosing to shutter their doors themselves.

Responsibility 3: Selecting and Developing Agents Who Can Meet Principals' Goals

The processes by which PMs selected which agents operated schools, and where they operated, were, in theory, a way to engage all three core principals in decisions about the composition of the portfolio. DPS and New Orleans used intentional planning processes that engaged principals to varying degrees, while LAUSD was more reactive.

In order to set priorities for new charter school applicants, PMs in New Orleans and Denver used enrollment and performance data, sometimes placing a special emphasis on specific student populations in need (e.g., special education and English Language Learners). In Denver, district-run and charter schools were invited to apply for a new or restructured school through the Call for Quality Schools, which served as the primary means for selecting agents who could meet the goals of multiple principals. Although discussed less in our interviews, a similar process was used in New Orleans via a Request for Applicants and in LA through the Public School Choice Initiative (PSCI) process that included a small number of district-run schools (Marsh et al., 2013).

In terms of selecting school operators as agents, LAUSD maintained application procedures and criteria for approving new school operators but these processes varied across school models. Differences in application procedures resulted in a fragmented system for planning new school openings, with school models encountering different expectations and processes for review. For instance, the district provided minimal support to charter schools to guide applicants on how to submit successful applications while offering in-district applicants support in the form of application workshops and rubrics.

With the exception of the small PSCI effort, LAUSD largely did not engage in systemic planning of where new/reorganized schools should be located based on local community needs. As one staff member put it, "This is an organic process. We don't tell the schools, for the most

part, we need this [school] here because we want it to come from the community, but we counsel them. We steer them to different paths.” Instead, the central office followed a bottom-up process for new school openings in which charter organizations and/or teams of educators and community members were responsible for determining school needs in the community and then submitting applications for new school openings with counseling from local district offices and central office divisional units (e.g., the charter school or magnet office) as needed.

Participants in both Denver and New Orleans noted that PMs in those cities faced a tension between selecting school operators/models in terms of two competing goals: providing a diverse supply of school choices for parents and the push for new school operators that could demonstrate their ability to be academically successful. For instance, some respondents suggested that academically successful charter models were highly standardized in their pedagogical approach and thus limited the kinds of school models parents could choose from. In Denver and New Orleans, this led to a perception that the latter was of more importance than the need for a diverse supply of schools. A leader of a Denver-based charter advocacy organization defended this by arguing that providing underserved students additional options would mean “experimenting” on them. This focus on “proven providers” was not always responsive to parent preferences, as reflected by a DPS staff member’s conversation with parents who complained about not needing “another no-excuses school” in their neighborhood.

In terms of developing the capacity of agents once selected, the PMs had notably different orientations to supporting school-based capacity. LAUSD and the New Orleans PMs stayed largely out of direct support for their charter schools. In New Orleans, PM staff members argued that their role was facilitating support for educator and school improvement, rather than directly providing it, and there was a major reduction in PMs’ direct provision of support services relative to the role of pre-Katrina OPSB alongside an increasing reliance on the

nonprofit sector to fill in the gaps. Rather than serving as the source of support, RSD relied on its partnership with the nonprofit New Schools for New Orleans to support struggling schools. OPSB viewed its relationship with charter schools similarly. When charter schools struggled, OPSB PMs described “support” as the process of highlighting problems, placing schools in “intervention,” requiring schools to create a plan, and monitoring that plan: “The challenge here is that, as an authorizer, support isn’t really our work. Accountability is our work.” LAUSD kept an even more hands-off approach to charter schools, placing both identifying school needs and support providers largely with the schools or CMOs. On the other hand, the central office provided direct support to in-district schools where it was clearly positioned as the manager of these schools. For example, LAUSD had a vast infrastructure for hiring new teachers and managing teacher vacancies.

DPS sought to find a narrower range of support relationships with schools than that in LAUSD through a sometimes fraught balancing act of providing some supports to all schools while still providing schools autonomy and maintaining strict oversight. There were some PM efforts at capacity building (such as specific professional development offerings) available to all schools, while more intensive mandated supports for struggling schools were only available to/required of traditional and innovation schools. For charters, PM support focused on leaders, boards, and providing information and resources including “reflective feedback” and “shining a light.” As one DPS central office member explained:

I mean I would say in a traditional portfolio model, [our role] is to authorize and hold accountable... I think Denver has intentionally blurred that line. I think some people would criticize that and say it’s not agnostic enough. You should just wait until the student achievement results for a number of years. For us, [the support

role] has proven to be really, really helpful. We've been able to shut schools more quickly and able to offer optional supports that in some cases have been helpful.

DPS also partnered with and directed district-run and charter schools to a range of providers, including those with ties to the charter sector such as Relay Graduate School of Education.

Cross-Case Comparison of Principal Agent Tensions within PMMs

In this section, we describe three important principal-agent tensions PMs encountered and how each city responded to these tensions. These tensions illuminate two broad themes. First, how challenging it is to have clear and cohesive goals across multiple principals, using the case of school closure to illustrate the complexity the PM confronts in addressing this issue. Second, how the different tools available to the PM itself can be in conflict with each other such as when providing schools with autonomy comes into tension with ensuring that they have the capacity to meet the goals of principals or that agents will work towards system-wide goals.

Tensions between Multiple Principals and the Case of School Closure

One prevalent pattern we saw – predominantly in Denver and New Orleans - was conflict around the use of school closure. Although used by PMs to motivate agents to meet the goals of the PM or to remove agents who were unable to do so, these acts encountered strong resistance. The tensions surrounding school closure reflected a broader P-A challenge of meeting the goals of multiple principals, particularly when the goals of the PM (one principal) were centered on quantitative data while those of parents (another principal) focused on concerns such as continuity of education and the role of schools within a community.

Portfolio managers in both Denver and New Orleans expressed a desire to be more transparent around decisionmaking and to more explicitly and clearly use common performance frameworks to minimize community pushback and help parents, communities, and school-level staff understand closure decisions. This effort to reduce parents' information asymmetries about

school performance met with mixed success, and presumed that the PM's goals were sufficiently aligned with those of parents such that providing more information, rather than changing the goals themselves, would minimize resistance.

In Denver, one CMO leader described how community events designed to solicit input around the decision about a specific school became a "shouting match" between the other schools that wanted to open and those who supported the school being closed. In one recent case, the Denver School Board faced off against parents around the proposed closure of Gilpin Montessori. While the school was consistently low performing based on the SPF, one account described a board meeting at which:

Dozens of parents and community members showed up to the meeting armed with signs and personal anecdotes about how the school was their village and how their children were thriving and learning, not falling behind and languishing as board members believed. (Asmar, 2017)

District representatives' response to this and other challenges around closure was to try to establish "bright lines" about the criteria for closing so that schools and the community would know from the start how to avoid closure and whether and why schools would be closed.

New Orleans actively used school closure based on the SPF as a motivator/consequence for school-based agents but also encountered significant resistance. In New Orleans, a non-profit leader noted that: "I think it's fair to say, [there is] a real opposition to closure, as a reform strategy." RSD staff acknowledged that some of this conflict might have been due to a lack of authentic engagement with the community or community organizations in decisions about opening or closing schools: "Five years ago, we were just making these decisions in a room like this. We were working with—it wasn't just government. We work regularly with NSNO and other partners, but they weren't representative of community for sure."

Similar pushback occurred in LAUSD during the rare cases in which the decision was made to close schools, but the PM viewed their contribution to the decision as more open-ended. Describing the district's approach to closure, one district staff member explained:

Here is how [the school] did against the criteria. Here's a recommendation. That does come up. I will say that it comes up also with, on the other side, charter schools politicizing the effort as well, right? It's a democratic process. They make their case, bring in families. Board members have to make tough decisions. That's the nature of it. Our hope is that at the end of the day, our staff report provides them the evidence as to why we made our recommendation, whether it's for continuing the school or to close a school.

LAUSD's varied expectations may have contributed to the relatively rare decisions to close schools. Overall, these examples highlight community distrust of closure criteria and suspicions that the goals of PMs were prioritized over those of parents and the community. In an attempt to resolve issues around authentic engagement, PMs in all three cities sought ways to better involve or inform community representatives in the process.

Tensions between Motivating Agents via Autonomy and Ensuring School Capacity

Participants consistently noted that the idea of autonomy as an incentive to motivate school-based agents created uncertainty for PMs about whether, when and how to intervene and provide direct supports to schools. While Denver attempted to balance their role in providing schools with supports with school-based autonomy, participants in New Orleans noted a philosophical uncertainty about whether their role was purely about accountability (not support), and the orientation in LA varied based on the sector (e.g. traditional public schools or charter schools).

For example, a DPS board member and foundation leader both noted that mandated supports sometimes conflicted with schools' desire for autonomy. As the foundation leader explained, "Especially with innovation schools, the district started to come in and take back their autonomy and started saying, here's more and more district practice that you have to do even if those practices were in violation of their innovation plans." This dilemma illustrated their internal conflict regarding a more centralized versus decentralized approach. DPS traded school-based autonomy for system-level equity in other ways as well. For example, a DPS district representative explained how in certain cases like special education, it was more efficient and equitable for the district to have certain types of capacity available within the system rather than within every school. He described how, "We have a chance to build coherent regional strategies, not that we always had done that, but we had the opportunity. I don't need three autism programs in the region, I need one." He explained that having a "coherent" and unified approach to special education was made possible by the climate of "collaboration" between DPS and the varied schools in the system.

PM staff in New Orleans recognized the tensions in their more "hands off" approach to capacity supports. One tension was whether they had an obligation to be directly involved in supporting struggling schools. The limited capacity of the RSD, alongside philosophical and policy commitments to remain "hands off," meant autonomy was prioritized over capacity building, even if some staff believed they should be more proactive in intervening in struggling schools. As one RSD staff member explained:

As we've debated it, not just us as an organization, but us as an ecosystem, there is a divide amongst the reformers about this very issue. I squarely fall on the side of we should intervene, because we are government and we're ultimately the backstop and we are responsible... Now, the reason we debate that is because it's

tough when you're standing there in a room full of parents saying we're going to close this school or we're going to change out the management operator of the school...[Parents will say,] “If you knew this school was struggling two years ago, why didn't you do anything about it?” To say that, “hey, we believe in autonomy,” that doesn't match the emotion that is there, present in the room.

Though this participant noted the “divide amongst the reformers” about this issue, in practice, autonomy was prioritized over intervention.

LAUSD sought to resolve the tension between autonomy as a motivator and ensuring capacity by differentiating between the two systems, offering district-run schools varying but more limited autonomy alongside direct support for capacity while providing broad autonomy to charter schools but little to no direct support for capacity. Both LAUSD’s charter sector and the two PMs in New Orleans largely expected the capacity needs of school-based agents to be filled by non-public actors. Providing substantial autonomy without capacity raised questions of whether it was ethical to hold schools accountable for particular goals if the PM was not ensuring that schools had the supports needed to meet those goals.

Tensions between Equity and School Autonomy

Portfolio managers had to consider school-level autonomy in the context of their goals for the system as a whole. For example, the PM’s goal of providing all families equal access came into conflict with incentives that school-based agents had to use their autonomy in ways that would improve *their school’s* chances at meeting accountability goals, but would potentially result in inequities for others within the broader system.

In order to operate a set of varied school models as a single “system,” for example, DPS placed strategic limitations on charter school autonomy around student enrollment processes in order to further goals around equitable access. These restrictions, guided by the work of the joint

DPS/charter “Collaborative Council,” offered some charter operators access to district facilities in exchange for those schools agreeing to participate in a common enrollment system, accept late arrivals, participate in enrollment zones, and adhere to district standards and procedures for special education. Thus, DPS used one incentive (resources) to convince school-based agents to cede another incentive (autonomy) as a strategy for working towards meeting the district’s goals of equity for students and schools.

In New Orleans, community pushback and legal challenges (rather than collaboration in the case of Denver) led the RSD and OPSB to place some limitations around discipline policy as high levels of suspension and expulsion in some schools were an area of major concern. Control over the expulsion process was taken away from schools, but schools fought to keep their autonomy over suspension, which they argued was a key aspect of school culture. An OPSB staff member described this “tension between autonomy and students’ rights” and potential abuse of autonomy as an ongoing debate for PMs. Finally, despite an overall very high level of autonomy for charter schools in LA, the PM did assert in authority in regard to charter school compliance with some district policies. For example, one CMO leader discussed district requirements around the use of metal detectors that were put in place in order to ensure that board policies were applied equally.

Discussion and Conclusion

In this paper, we highlight the work of different PMs and how they have sought to resolve challenges within the classic Principal-Agent problem (Gailmard, 2014; Holmstrom & Milgrom, 1991; Loeb & McEwan, 2006). Our analysis takes as its starting point the roles of the idealized PM in a PMM and how this connects with P-A issues. All three cities in our study grappled with resolving the P-A issues laid out in Figure 1, including seeking to balance the goals of multiple principals, selecting and monitoring school-based agents, motivating those

agents to meet principals' goals, and ensuring that they have the capacity to do so. Studying three varied systems allowed us to understand the promises and challenges of contrasting approaches to portfolio management and the distinct ways in which they sought to address these issues.

As a centralized portfolio, DPS took a collaborative and pro-active approach to portfolio management, erring on the side of limiting autonomy when that autonomy was in tension with system-level goals around capacity and equity/access. As other scholars have argued, PMs must grapple with the notion that districts can provide economies of scale when it comes to capacity building, and this can clash with ideals of school-based autonomy (Buerger & Harris, 2017). DPS was able to limit autonomy with relatively minimal pushback, in part, through their collaborative council that brought stakeholders from different school models to the table to resolve tradeoffs between school-based autonomy with goals of equity across the system and between schools. The centralized portfolio approach aided with resolving tensions such as those between school-based agents and the PM as principal around issues such as autonomy and support. However, it was less successful in creating a similarly collaborative relationship with other principals including parents and the community, as reflected by the challenges involving school closure and more influential parents.

As a managed market, the PMs in New Orleans set policies around enrollment, transportation, and school performance for the system but privileged school-based autonomy, following a market-approach of expecting school-based agents to identify and seek out the supports they needed in order to have the capacity to meet the goals of principals. OPSB and RSD, however, had to become more hands on in managing specific aspects of the market, especially those connected to equity, when schools "abused" their autonomy (e.g., high suspensions/expulsions). This managed market approach resulted in PMs struggling to maintain the idealized motivating and enabling aspects of the market, including autonomy and choice,

while still needing to address system-level goals. Despite the differences between Denver's more centralized approach and New Orleans' managed market, we found similar tensions between the goals of the PMs as principals and those of parents and the community. In particular, PMs in both cities seemed to indicate a belief that increased transparency (rather than shifting their own goals to better align with those of parents and the community) would help to resolve tensions such as those around school closure.

Finally, the competing systems of LAUSD demonstrate a PM that sought to resolve P-A tensions not by a single strategy but by allowing different sectors within the broader system to resolve those tensions in distinct ways. LAUSD directly managed a system that included multiple school models with varying levels of autonomy while allowing a competing sector to operate largely independent from the policies and parameters of the district. It is important to note that distinctions between Denver and New Orleans are often easier to see and describe, as the complexity and scope of LA's competing systems make broad characterizations often inappropriate. In the LA example, we see a PM that took a more differentiated approach in terms of setting policies for distinct components of the overall system. Thus, some school-based agents had substantial autonomy yet minimal support from the PM, while others had the reverse. While political tensions ran high in LA during the time of this study, LAUSD rarely pursued school closure. For in-district schools, the district saw its role as a provider of data to guide school capacity building and improvement efforts instead of closing its own schools. While the district had closed some pilot schools at the time of our study, these decisions were based primarily on declining enrollment numbers. LAUSD also placed more constraints and demands for charter schools to conform with district policies and board goals. In cases where the district recommended charter schools for non-renewal due to non-compliance, these schools successfully

petitioned against these recommendations with the Board of Education or sought re-authorization from alternative authorizers.

Since our purpose was to describe rather than measure the effects of these dynamics, we do not advocate for any particular approach. Instead, we argue that the benefits or detriments of these approaches may be contingent upon the needs of schools and the system as a whole, and the extent to which school leaders are able to determine their own needs and effectively coordinate supports to achieve coherence (Cohen, Spillane, & Peurach, 2017). For example, simply granting substantial autonomy to all schools will not solve issues of capacity, and autonomy comes with tradeoffs and equity considerations that PMs can work to resolve. Based on our findings, we argue that PMs must take into account the motivation and perceptions of school-based agents and actively collaborate with stakeholders to resolve tensions.

In addition, the tensions that we identify highlight two central policy implications for, and challenges to, reforms based on the implicit logic of the Principal-Agent problem. First, the motivations behind individual behavior are complex and not always rational. The political influence of CMOs in Denver and New Orleans suggested by some participants also raises questions about the idea that principals will make rational decisions in pursuit of their goals such as when they are selecting providers. Second, the assumption that PMs will incorporate the goals of other principals such as parents and communities is called into question, as the focus on test-based accountability can inadvertently minimize attention to areas such as social-emotional learning and relationships within school buildings. Contending with these dynamics is being increasingly recognized as critical for improvement at scale. For instance, Glazer and colleagues (2018) found that charter operators engaged in turning around existing schools were forced to spend more time and resources contending with a more complex regulatory environment and a community that had competing goals and did not necessarily choose their schools. This

underscores the potential limits of an approach that focuses too heavily on the PM as the primary principal; as research on the politics of urban educational reform show that community engagement and buy-in are crucial for the longevity and effectiveness of reform (Russakoff, 2015; Stone, 1998; Stone, Henig, Jones, & Perannunzi, 2001).

Future research in this area might take multiple directions. One important direction involves deepening our understanding of the connections between system-level changes that rely on market logics and the daily practice of those in schools. The broader project from which this study comes, through the use of survey data, qualitative case studies, and administrative data, hopes to offer insights into these issues. A second important direction is the broadening of our analysis to consider other contexts with characteristics distinct from the ones that we studied. For example, while PMMs often emerge in cities with mayoral control, none of those that we studied here fall under that umbrella. As a distinct, but sometimes linked, type of governance reform, future studies could explore how the PMM approach linked with mayoral control might have different implications for, as an example, cohesion between the preferences of multiple principals (Henig, 2010).

While we find that the PMM approach has aided in addressing PA issues such as alignment between the goals of PMs and the incentives of agents, we also see that new issues can arise and long-standing issues can re-emerge in this alternative approach to system governance. One long-standing issue that emerges in new ways is the challenge that public schools face in meeting the goals of multiple stakeholders (multiple principals, in the language of PA); the use of school closure is a particularly tense manifestation of that issue that has come to the forefront under the PMM. In addition, new issues, such as where schools that are outside of districts get the supports they need have led to a yet unsettled landscape that reshuffles the roles of public and private organizations. It is unclear, and likely context-dependent, if this developing landscape of

support opportunities will better meet the needs of agents in schools. Ultimately, analyzing reforms using a framework that resonates with their own underlying theory of action can aid in illuminating both challenges and new issues.

Figure 1: Principal-Agent Framework for Understanding Portfolio Managers

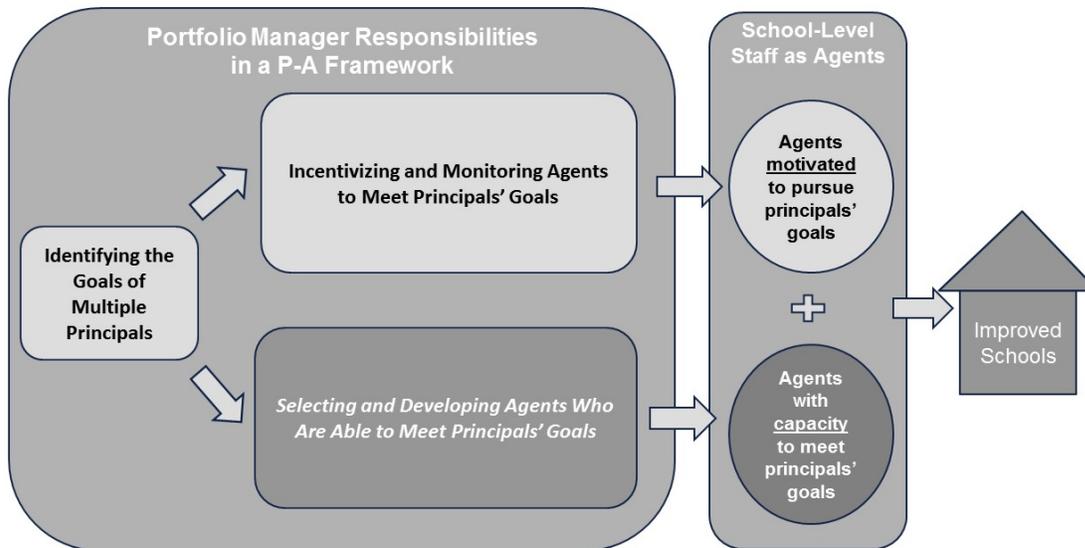


Table 1. Interviewees by District and Role

Interviewee Roles	New Orleans	Denver	Los Angeles	Total
Central Office	7	8	11	26
School Board	1	1	3	5
Foundation	1	3	2	6
CMO/school manager	1	4	5	10
Union	1	1	2	4
Preparation/Prof. Develop. Organization	2	3	0	5
Advocacy Organizations or Individual	3	5	6	14
State and City Officials	2	2	2	6
<i>Total</i>	<i>18</i>	<i>27</i>	<i>31</i>	<i>76</i>

Table 2: Characterizing Systems by Approach to Portfolio Manager Responsibilities

System description	Identifying the Goals of Multiple principals	Incentivizing and Monitoring agents	Selecting and Developing Agents (school operators)
Denver – Centralized Portfolio	<ul style="list-style-type: none"> • Elected board to represent multiple principals • PM effort to assess community needs and preferences • Challenges around perceived authenticity of community engagement 	<ul style="list-style-type: none"> • Common performance framework • Strong threat of school closure/reorganization • Common enrollment system • Range of autonomy 	<ul style="list-style-type: none"> • Intentional selection of agents • Coordinated support between PM and outside providers
New Orleans – Managed Market	<ul style="list-style-type: none"> • PM effort to assess community needs and preferences • Challenges around perceived authenticity of community engagement 	<ul style="list-style-type: none"> • Common performance framework • Strong threat of closure/reorganization • Common enrollment system • Virtually all schools autonomous 	<ul style="list-style-type: none"> • Intentional selection of agents • Minimal PM role in school supports
LA – competing systems	<ul style="list-style-type: none"> • Elected board to represent multiple principals • LAUSD reconciling of goals for district-run schools • Parents as choosers reconciling goals for charter schools 	<ul style="list-style-type: none"> • Varied accountability systems • Minimal threat of closure • Piecemeal enrollment systems • Broad range of autonomy 	<ul style="list-style-type: none"> • Reactive selection of agents • PM directly engaged in support for district-run schools • PM not engaged in support for charter schools

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