



Cities on a Hill

Contents

MAYOR DIAZ AND THE MIAMI RENAISSANCE 1

PHILADELPHIA SCHOOLS CEO PAUL VALLAS PROMOTES SUCCESS BY ENDING SOCIAL PROMOTION 1, 3

PERFORMANCE REVIEWS AND STATE GOVERNMENT: CRISIS AND OPPORTUNITY IN CALIFORNIA 2

CAMPAIGN FOR FISCAL EQUITY: NO STRINGS ATTACHED? 3

TAKING THE MEASURE OF AMERICA'S STUDENTS AND THE SCHOOLS THAT TEACH THEM 4

Mayor Diaz and the Miami Renaissance

Just a few years ago, Miami was considered virtually a laughingstock—a place where disorder and mismanagement seemed to be the norm rather than the exception.

Today, in 2004, crime is down, the city's bond rating is way up (from junk to investment-grade), and Miami is in the midst of a multibillion-dollar construction boom. Much of the credit for Miami's renaissance belongs to its first-term mayor, Manuel A. Diaz, and his determination to retool the city's faltering administration using sound business principles and a strategic vision for the city's future.

Mayor Diaz, a former attorney and restaurateur who took office in 2001, visited the Manhattan Institute on June 23 to talk about how Miami had come so far in so short a time. "Miami suffered through the seventies and eighties much like other major cities across the country. We too had a middle-class flight to suburbia, but throughout our decline I also saw what leadership had been able to accomplish in other American cities during the nineties," he said. "I wanted to become one of America's entrepreneurial mayors, like Daley in Chicago, Rendell in Philadelphia, Giuliani in New York, and Goldsmith in Indianapolis."

Mayor Diaz complimented the Manhattan Institute for its innovative approach to public policy and said that "the institute provided much inspiration for me during my campaign and I credit that inspiration, to a very large extent,

Access this report at: http://www.manhattan-institute.org/html/cb_37.htm

with helping me win the election." Since his election, Mayor Diaz has been as good as his word; he has worked hard to create performance goals for every city agency, designed a strategic plan for city budgeting, and instituted a 311 program for city services. He has also recruited nationally renowned crime expert John Timoney, former Philadelphia Police Commissioner and First Deputy Commissioner of the NYPD, to lead the city's police department and spearhead new quality-of-life initiatives.

Taken together, the mayor's many accomplishments have bolstered the city's waning reputation, attracted new investment, and helped to grow the city's population by 5 percent in just a few years.

With a long career still ahead of him, Mayor Diaz is well on his way to becoming one of the innovative mayors he admired during his campaign and serving as an inspiration for the next generation of urban leaders.



Mayor Manuel A. Diaz

Philadelphia Schools CEO Paul Vallas Promotes Success by Ending Social Promotion

Paul Vallas was appointed in July 2002 to the position of Chief Executive Officer for the Philadelphia School District, after six years at the helm of the Chicago public school system (1995–2001). In Chicago, Vallas's commitment to educational excellence and fiscal responsibility helped to transform the nation's third-largest school system from one of the nation's lowest-performing to a national model—while eliminating a \$1.3 billion budget deficit in his first two years. Among his most notable achievements was ending social promotion using a combination of high-stakes testing and supplemental education.

continued on page 3



Paul Vallas



Performance Reviews and State Government: Crisis and Opportunity in California

Last year's recall election in California expressed the frustration of the electorate with a state government that had grown bloated, opaque, and unresponsive to the needs of the public it ostensibly served.

Consequently, Governor Arnold Schwarzenegger entered office with a mandate for reform. But translating a popular mandate into real institutional change requires rethinking not only government's goals but how public managers set performance goals, monitor the delivery of services, and respond to public feedback. On May 20, the Performance Institute and the Manhattan Institute cosponsored a conference in Sacramento, "Performance Reviews and Management in California State Government."



Donna Arduin

Donna Arduin, director of the California Department of Finance, and Chon Gutierrez, co-executive director of the California Performance Review, opened the conference by explaining how "citizen-centered" government depends on the ability of public managers to create and monitor performance goals throughout all levels of state government. In California, Arduin and Gutierrez are working to meet that goal and have been tasked by the governor with examining all state operations and determining how to improve public services while still eliminating a massive budget shortfall.

The conference's first session featured Carl DeMaio, president of the Performance Institute, discussing how management reform can produce substantial savings for public managers across all levels of government. DeMaio advised public managers to focus on the "five pillars" of high-performing organizations: strategic planning/performance measurement, performance-based budgeting, human-resources management, performance-based contracting, and information technology/e-government. Using these principles, he said, state agencies in California can become significantly more productive by linking program goals to measurable results for California's residents.



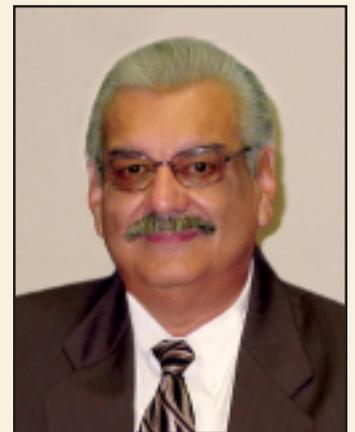
Carl DeMaio



From left to right: Stephen Goldsmith, Carl DeMaio, Henry Olsen, and Tom Moldauer



Stephen Goldsmith



Chon Gutierrez

The concluding event at the conference was a leadership panel discussion, "Incorporating Citizens' Expectations in Performance Management." The panel featured Tom Moldauer, a partner at Accenture; Stephen Goldsmith, chairman of the Center for Civic Innovation at the Manhattan Institute and former mayor of Indianapolis; and Carl DeMaio. Henry Olsen, executive director of the Center for Civic Innovation at the Manhattan Institute, moderated the discussion. Moldauer explained how successful government managers take citizens' expectations into account, focusing more on building public-sector value than on simple cost-cutting. Goldsmith summed up the feeling of the panel when he remarked that "achieving real results means treating government just like any private-sector service organization: we must listen to the people we serve and hold ourselves accountable for responding to those needs. Managers who don't meet those goals should be replaced by those who can."

Campaign for Fiscal Equity: No Strings Attached?

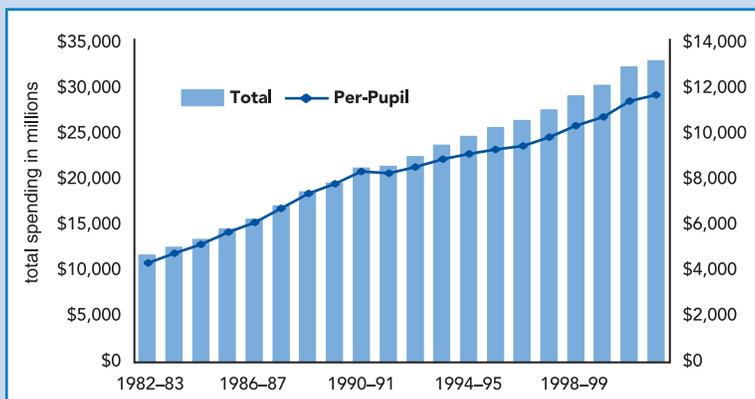
While certainly not without its critics, the 2003 New York State Court of Appeals ruling in the *Campaign for Fiscal Equity* case has created a historic opportunity to reform New York City's troubled schools. The question is whether state officials and the court have the discipline to take advantage of it.

This opening was created because the *CFE* court not only required the state to modify its school aid formula to ensure a "sound basic education" for all New York City pupils, injecting millions more dollars into city schools; it also ordered that schools be held accountable for producing results. Unfortunately, as the deadline approached for presenting the trial judge with a plan to comply with the *CFE* ruling, state officials seemed more focused on increasing funding statewide than mandating real change in how New York manages its chronically underperforming schools.

A report by Raymond Domanico, Senior Education Advisor to the Metro NY Industrial Areas Foundation, presents twenty years of evidence showing that increasing school aid without structural reforms does not improve city schools. Between 1982–83 and 2001–02, total revenues for public education in New York nearly tripled. Counting all sources of revenue (local, state, and federal), total public school funding in New York City rose during this period from \$3.8 billion to \$11.3 billion, while per-pupil spending went from \$4,165 to \$10,842.

What did these enormous increases in education funding buy? Mainly more staff and higher salaries; the performance of city schools remained stagnant according to key performance measures. Barely half of city high school students graduated on time; the

percentage of students receiving a Regents Diploma in 2001–02 (32 percent) was actually lower than it was in 1982–83 (36 percent), and the gap on state test scores between city students and the rest of the state stayed the same or increased. Worse still, the number of city students attending failing schools increased dramatically.



The study's findings underscore the city's real problem: poor management. The teachers' contract prevents administrators and principals from effectively using the increased number of teachers to significantly reduce class size. Contractual restrictions and budget allocation policies also help to ensure that the least experienced, lowest-paid teachers are assigned to poorly performing schools. Consequently, the report recommends that the *CFE* court should refuse to accept any state plan without structural reforms, including more flexible staffing assignments, performance incentives for teachers, and real accountability provisions. Without real reforms, the city will merely have a blank check to repeat the failed policies of the past.

Access this report at: http://www.manhattan-institute.org/html/cr_42.htm

Paul Vallas *continued from page 1*

As CEO of the Philadelphia School District, Vallas has shown continued commitment to ending social promotion and strengthening the value of high school diplomas. On June 17, he spoke at a Manhattan Institute luncheon forum on how large urban school districts could simultaneously end social promotion and raise student achievement.

In Philadelphia, Vallas has enacted new retention and promotion policies, standardized new curriculums, and relied on continuous data monitoring to channel resources toward struggling students. Vallas debunked the conventional wisdom that ending school promotion hurts students, particularly minority students. "I believe that the lack of sanctions in public schools for academic failure or serious misbehavior is a tragic mistake; as any parent will tell you, there have to be consequences for bad behavior and there have to be consequences for nonperformance."

He also pointed out that school reform shouldn't take place in a vacuum. Indeed, school administrators can draw inspiration from a wealth of evidence on how successful school districts achieve educational excellence. "When you look at [successful districts], you see a commitment to high standards, a commitment to quality curriculum and instruction models, and a commitment to data-driven instruction. You see intensive time spent on professional development," he told the Manhattan Institute. "Successful districts have many commonalities. Contrary to what some people would have you believe, this is not rocket science, and if you try to reinvent the wheel in every school, you will fail your students."

Taking the Measure of America's Students and the Schools That Teach Them

Defenders of American public education like to claim that students today are afflicted with problems like poverty and social dysfunction that make them harder to teach. They also claim that reforms like school choice and accountability testing won't improve student performance until the root causes of poverty and dysfunction are addressed. However, these claims are rarely subjected to serious scrutiny.

The new study, *The Teachability Index: Can Disadvantaged Students Learn?*, by Manhattan Institute Senior Fellow Jay P. Greene, Ph.D., and Senior Research Associate Greg Forster, Ph.D., is the first of its kind to systematically measure the disadvantages facing students by examining sixteen key social factors that affect student teachability. Greene and Forster used these factors to compile the Teachability Index, the first-ever valid measurement of whether schools are facing a student population with greater challenges to learning.

The Teachability Index shows that students today are actually somewhat easier to teach than they were thirty years ago. Overall, student disadvantages that pose challenges to learning have declined 8.7 percent since 1970. Children's physical health and economic security have substantially improved, and preschool enrollment has grown dramatically. While other factors have presented increased challenges—broken homes and students whose

native language isn't English are more common—these changes have been more than offset by ongoing improvements in children's well-being. Overall, student well-being cannot be a valid excuse for the failure of vastly increased spending to produce better results.

Greene and Forster also compared the teachability levels of students in each state with actual academic outcomes. This School Performance Index provides the level of student achievement in each state expressed as a percentage of the level that would be predicted by student teachability. This index shows that some states with low student teachability perform much better than their students' problems would lead us to expect, while other states fail to meet the challenge. In particular, states with more school choice or stronger accountability testing demonstrated better school performance relative to student teachability.



Access this report at: http://www.manhattan-institute.org/html/ewp_06.htm

4

The Manhattan Institute is a 501(C)(3) nonprofit organization. Contributions are tax-deductible to the fullest extent of the law. EIN #13-2912529

C C i
CENTER FOR CIVIC INNOVATION
AT THE MANHATTAN INSTITUTE
52 Vanderbilt Avenue • New York, NY 10017
www.manhattan-institute.org

Non-Profit
Organization
US Postage
PAID
Permit 04001
New York, NY