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Evaluating performance in Chicago public high schools in the wake of decentralization

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Abstract

This research analyses the changes in performance for Chicago high schools between 1989 and 1994 following the introduction of site-based management in 1988. The purpose of this paper is to assess whether this decentralization improved performance or not. We modeled the change from centralized to decentralized control following Grosskopf, Hayes, Taylor & Weber, 1999 (Anticipating the consequences of school reform: a new use of DEA, *Management Science*), and used cost indirect output distance functions to model decentralized control. Malmquist productivity index results show very little improvement in productivity with sample achieved improvements off-setting realized declines. Second stage regression results, though, provide some evidence of small improvements in efficiency over this time period. Thus, the overall results are mixed. © 2001 Elsevier Science Ltd. All rights reserved.

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1. Introduction

In the November 7, 1987 issue of the *Chicago Sun Times*, William Bennett, then Secretary of Education, declared the Chicago public school system to be the “worst in America”. According to Hess (1991), about one half of Chicago’s high schools scored in the lowest one percent on the ACT of all US high schools, and sixty to seventy percent of elementary students were below national norms on reading tests.

Perhaps in response, the Illinois legislature passed the Chicago School Reform Act of 1988, which dramatically changed the organization of Chicago public schools. Before this reform, all of the almost 600 schools in

Chicago were in one school district governed centrally by the Chicago Board of Education. The 1988 reform introduced site-based management, which returned decision-making control to the individual schools. Each school acquired its own elected local school council, which could make decisions concerning principal evaluation and selection, budgeting and planning.

In 1996 this experiment in school reform ended when Governor Jim Edgar and the Illinois legislature granted Mayor Richard Daley centralized power over the Chicago Public Schools (CPS). This created a five-member board and a CEO for the school system. Daley appointed Paul Vallas (his budget director) as CEO and Gerry Chico (his former chief of staff) as President of the Board of Trustees. As a result, the Chicago public school system is now run like a corporate business. Attention is paid to outcomes such as test scores, dropout rates and attendance rates. A new core curriculum has been established, students who do not pass assessment

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must attend summer school, etc. Although the local school councils are nominally in place, in effect the Chicago public schools have been returned to a high degree of central control.

The purpose of this paper is to assess whether the earlier experiment in site-based management really failed to improve performance in Chicago's high schools.¹ We employ a stylized model of schools under site-based management as the building blocks for our performance measures. One of the features of site-based management is the devolution of control over the budget to the individual schools and their elected councils. The budget is given in total, but the local council is given discretion over how to spend it. To capture this basic element of site-based management we use a cost indirect output distance function to model individual schools. This is essentially a multiple output production function with a budget constraint. The idea is that the local council's goal is to maximize school outcomes, given the technological possibilities, and given their budget. How to allocate the budget across inputs is a choice variable in this problem.

We use these building blocks to compute productivity changes over the 1989–94 time period. This index, the Malmquist productivity index, does not require output prices to aggregate outputs and does not presume efficiency or profit-maximizing behavior. The Malmquist productivity index also provides information on the sources of productivity change, which include changes in efficiency and changes in the frontier (innovation). This will prove useful, for instance, in determining if the decentralized system under reform became more (less) efficient as a result of the change, or whether these changes actually shifted the frontier.

We analyze the changes in performance of Chicago high schools between 1989 and 1994 using data obtained from both the Illinois State Board of Education and the Chicago Panel on Public School Policy and Finance. We find that performance in Chicago public high schools was mixed over the 1989–94 reform period. Roughly half of the schools improved (slightly), while roughly half showed declines in productivity over this time period. Higher spending per pupil was associated with lower productivity in our sample.

2. Background

Smylie et al. (1994) provide a description of the Chicago site-based management program:

In 1989, Chicago's public schools began the nation's "most radical" experiment in school decentralization.

¹ We do not include Chicago primary level public schools in our analysis due to data limitations.

Each of the city's nearly 600 schools acquired its own governing board in the form of an elected local school council (LSC). Six of each council's 11 members are parents and community representatives. Armed with the power to hire and fire their building principals, these councils also acquired significant, previously centralized controls over school-site budgets, curricula, and school-improvement planning.

Prior to reform, all Chicago schools were in one school district (District 299) and the Chicago Board of Education coordinated all schools and made most of the decisions.²

After reform local school councils were formed; they consisted of parents, community members, teachers, the school principal, and a student. Except for the principal, these members were elected every two years. Easton & Storey (1994) describe the functions of the LSC members as follows.

They have major decision-making power in three important areas: principal evaluation and selection, budgeting, and school improvement planning. LSCs are also charged with making recommendations on textbooks, advising the principal on attendance and disciplinary policies, and evaluating the allocation of staff in the school.

The motivation for decentralization was to allow teachers and parents to make crucial decisions affecting their students and children.³ Those who actually were involved personally with the school would make decisions regarding school policies, curricula, and discretionary funding. By empowering teachers and parents, real "local control" could be established. Following Garms, Guthrie & Pierce (1978), parents are more likely to participate in their children's education when they have a voice in the decisions concerning their individual school. This participation was expected to improve educational outcomes.

After the Chicago School Reform Act of 1988, Chicago schools also regained access to funds from Title 1 (formerly Chapter 1). These are federal funds distributed by the state of Illinois based on low-income student enrollment. Before the reform, according to Rosenkranz

² Under both the old and the reform system, there are twenty elementary and three high school subdistricts. Each subdistrict has a superintendent responsible for nineteen and thirty-eight schools.

³ Chubb & Moe (1990) state that while site-based management is innovative, it is still an "essentially bureaucratic system". They point out that if problems surface, there will be a tendency for the higher authorities to recentralize the management scheme by establishing new rules and procedures. This certainly seems to be true for Chicago.

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