In an effort to improve student achievement in low-performing districts, 22 states have developed academic bankruptcy laws, allowing them to intervene in districts that consistently fail to satisfy state education performance standards. This policy brief presents an overview of these statutes. The text offers a comparative summary of state takeover provisions, the pros and cons of academic bankruptcy and emerging themes from the literature, and how three states have moved forward with the implementation of their statutes. The academic bankruptcy/intervention policies for the 22 states are presented in a grid so as to allow for easier comparison among states. The information includes a statute number of state board policy, the state policy regarding processes before takeover occurs, the transfer of students, audit teams, interim administrators, the removal of the superintendent, whether the state board has the power to consolidate or dissolve schools, whether the state can withhold funding, whether the public must be notified about the status of low-performing schools, and an overview of each state's law. Some key themes, such as changes in governance, the impact on teaching and learning, and incentives and sanctions, as well as what actually happens when a state intervenes, are also provided. (RJM)
ACADEMIC BANKRUPTCY
By Amy Berk Anderson and Anne C. Lewis

This policy brief provides an overview of academic bankruptcy including: a comparative summary of state takeover provisions; the pros and cons of academic bankruptcy and emerging themes from the literature; how three states have moved forward with the implementation of their statutes; conclusions and recommendations; and sources of information on academic bankruptcy.

I. OVERVIEW

States have long used their power to take over financially bankrupt school districts, but in the 1990s another form of bankruptcy — academic — has emerged. In an effort to improve student achievement in low-performing districts, 22 states have developed academic bankruptcy laws allowing them to intervene in districts that consistently fail to satisfy state education performance standards.

State assessment programs provide one tool for determining if a district or school fails to improve its low-academic performance. Intervention policies vary from state to state, but usually include a continuum of actions, from warnings to temporary leadership replacement to total district or school reorganization. Most of the takeovers so far have affected urban districts.

In some states, intervention occurs when a district has a number of low-performing schools, while in other states, it may occur when only a few schools are performing below standards. The most drastic type of intervention is when a state completely takes over a school or district, replacing an entire school staff, for example, or replacing district leadership with state-appointed superintendents and board members. Prior to a complete takeover, schools or districts usually are given several opportunities to show improvement, and may be given additional resources and/or professional support to help them succeed. Sometimes the state pays for this technical assistance; other times the state requires districts to reallocate their resources to cover the extra expenses.

The state-intervention process takes a long time. In the interim, one option is to allow parents to transfer their children to higher-performing schools. In some cases, the ultimate result is complete closure of a consistently failing school.

This policy brief provides an overview of academic bankruptcy. Section II contains a comparative summary of state takeover provisions. Section III summarizes the pros and cons of academic bankruptcy and identifies emerging themes from the literature. Section IV discusses academic bankruptcy in practice — how three states...
moved forward with the implementation of their statutes. Section V offers conclusions and recommendations, and Section VI lists sources of information on academic bankruptcy.

II. STATES WITH ACADEMIC BANKRUPTCY/INTERVENTION POLICIES

Currently, 22 states empower state boards to intervene in districts that underperform academically for an extended period of time. Most states’ interventions occur in several stages. For example, a district will be identified as low-performing by the state. The state will then classify it as Stage 1, which may require the district to develop a district improvement plan. If after a specified period of time (usually six months to one year), the district is still underperforming, it will enter the next stage, which often involves the district or state paying for consultants (approved by the state) to conduct a comprehensive audit and make recommendations to the state board of education regarding how the district could improve its procedures and increase student performance. Usually, extra funds are allocated to districts to cover expenses associated with implementing the first two stages. If after another specified period of time (usually one year), the district is still not improving, a takeover in some form may occur. Takeover strategies vary from state to state. For example, some states will remove the superintendent and local board and assign other managers to run the system; others will appoint an interim administrator and keep the local board. The following chart lists the states with intervention statutes on their books and identifies the key components of each state’s statute.

Key:
- Citation - Statute number or state board policy.
- Stages/Warnings - Whether state policy specifies stages (improvement opportunities) and/or provides warnings before takeover occurs.
- Transfer of Students - Whether there are provisions for students to transfer from low-performing schools to higher-performing schools within the district.
- Audit Teams - Whether the state board has the power to send technical assistance teams into districts to assess the situation and make recommendations for improvements.
- Interim Administrator/Monitor - Whether the state board is given the power to appoint an interim administrator/team/monitor to oversee district operations.
- Remove Superintendent/Staff/Board - Whether state policy allows the removal of the superintendent, staff and/or school board.
- Dissolve/Consolidate Districts/Schools - Whether the state board has the power to consolidate and/or dissolve districts/schools.
- Withhold Funding - Whether state policy specifies that funding can be withheld from those districts that are underperforming for an extended period of time.
- Notify Public - Whether state policy specifies that parents and/or the public should be notified about the status of low-performing districts and/or involved in the process of improving the district.
- Notes - Provides an overview of each state’s statute.

### States with Academic Bankruptcy/Intervention Policies

<table>
<thead>
<tr>
<th>State</th>
<th>Citation</th>
<th>Stages/Warnings</th>
<th>Transfer Students</th>
<th>Audit Teams</th>
<th>Appoint Interim Administrator</th>
<th>Remove Supt., Staff, Board</th>
<th>Dissolve/Consolidate Districts/Schools</th>
<th>Withhold Funding</th>
<th>Notify Public</th>
<th>Notes</th>
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<tbody>
<tr>
<td>AL</td>
<td>16-6B-3</td>
<td>X</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>j</td>
<td></td>
<td>X</td>
<td></td>
<td>State board can intervene in schools and districts, two stages before intervention; parents help develop school improvement plan</td>
</tr>
<tr>
<td>State</td>
<td>Citation</td>
<td>Stages/Warnings</td>
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<td>Audit Teams</td>
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<tr>
<td>AR</td>
<td>Act 89; Competency Based Education Act of 1983</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>Several stages; school improvement program administered by state education department; if insufficient progress, could lose accreditation and be forced to consolidate</td>
</tr>
<tr>
<td>FL</td>
<td>229.05</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Intervention after three years of low performance; state board authorized to take steps to ensure all students are well served by system; state funds withheld for non-compliance or lack of improvement</td>
</tr>
<tr>
<td>GA</td>
<td>20-2-282 20-2-283</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Several stages: warning, technical assistance, increased state aid; civil action filed to determine extent to which district has delayed process; school officials could be removed and replaced</td>
</tr>
<tr>
<td>IL</td>
<td>105 ILCS 5/2-3.25f</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Intervention after four years on &quot;watch list&quot;; can remove board members; may reassign staff and students; if district is &quot;non-recognized,&quot; it is dissolved and its territory realigned with another district</td>
</tr>
<tr>
<td>IA</td>
<td>256.11 Educational Standards</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>If state board determines district should not remain accredited, certain corrective stages are implemented; if no progress, board could merge district, appoint interim administrator or place district under &quot;receivership&quot;</td>
</tr>
<tr>
<td>KY</td>
<td>SB 202 Chapter 158</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>Intervention can occur any time a district fails to meet minimum standards; removal of superintendent and board can occur; technical assistance provided by state department to help districts</td>
</tr>
<tr>
<td>MD</td>
<td>22:17 Md. R 13A.01.04.07</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>State identifies individual schools that are not meeting performance standards, local board must cooperate with state; state department teams conduct audit, state may order school to be operated by third party</td>
</tr>
</tbody>
</table>

Several stages; school improvement program administered by state education department; if insufficient progress, could lose accreditation and be forced to consolidate.
<table>
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<tr>
<th>State</th>
<th>Citation</th>
<th>Stages/Warnings</th>
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<th>Audit Teams</th>
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<th>Remove Supt., Staff., Board</th>
<th>Dissolve/Consolidate Districts/Schools</th>
<th>Withhold Funding</th>
<th>Notify Public</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>MA</td>
<td>Chapter 69 JJ (1996)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td>Local boards have authority to take over schools with support and technical assistance provided by state commissioner; districts may fire and reassign principals and school staff in underperforming schools; commissioner may provide additional funds to help with the transition</td>
</tr>
<tr>
<td>MI</td>
<td>380.13</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>State intervention occurs through the accreditation process, and is used only at the school, rather than the district level. Low-performing schools are put on probation; after three years on probation, a school may be closed; school may align itself with local university or school improvement model; district must cover incurred expenses</td>
<td></td>
</tr>
<tr>
<td>MS</td>
<td>37-17-6 (1996)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td>If accreditation is withdrawn, state board declares “state of emergency” and may escrow state funds; several stages to help districts get accreditation back; public hearings held to appeal accreditation decisions; additional funds may be provided to help districts get through transition; interim administrator may override any local board decisions</td>
<td></td>
</tr>
<tr>
<td>MO</td>
<td>160.538</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
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<td></td>
<td>State board provides resources to district to conduct audit of school; if the audit finds a school academically deficient, the commissioner may recall all local board members and order a new election; local board shall not issue or renew contracts to either superintendent or principals of the academically deficient schools for one year</td>
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<tr>
<td>State</td>
<td>Citation</td>
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<td>Audit Teams</td>
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<td>Remove Supt., Staff, Board</td>
<td>Dissolve/Consolidate Districts/Schools</td>
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<tr>
<td>NJ</td>
<td>18A:7A-14-15</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>Three stages of state monitoring prior to takeover; state-operated district allows state to remove and replace local board and superintendent; costs of transition paid by state; parents may meet with commissioner to make recommendations; state takes over for a minimum of five years</td>
</tr>
<tr>
<td>NM</td>
<td>22-2-2</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td>State provides personnel to operate any school or district failing to meet state performance standards; local board approval required for consolidation of district; until improvements are seen, powers and duties of local board are suspended</td>
</tr>
<tr>
<td>NY</td>
<td>Section 2590-h Education Law</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
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<td>Chancellor can intervene in any district persistently failing to achieve educational results and require district to develop corrective-action plan; if district fails to implement plan, chancellor steps in to monitor and assumes control over local leadership; principal may be removed</td>
</tr>
<tr>
<td>NC</td>
<td>115C-105.39</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>In schools or districts identified as low-performing by assistance teams, state board may remove principal and/or superintendent, appoint interim administrator and suspend powers of local board</td>
</tr>
<tr>
<td>OH</td>
<td>3302.01 - 3302.06</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>State superintendent appoints monitor to oversee &quot;educationally deficient&quot; districts at district's expense; monitor implements corrective-action plan; no mention of removing board or local superintendent</td>
</tr>
<tr>
<td>OK</td>
<td>1210.54</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>Low-performing school after one to two years of poor performance, high challenge school after three years; state intervention can occur at either level</td>
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<tr>
<td>State</td>
<td>Citation</td>
<td>Stages/Warnings</td>
<td>Transfer Students</td>
<td>Audit Teams</td>
<td>Appoint Interim Administrator</td>
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<td>Dissolve/Consolidate Districts/Schools</td>
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<tr>
<td>SC</td>
<td>Education Improvement Act of 1984, Subdivision E, Sub-part 4</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>If minimum standards are not met, district must participate in screening process (audit team); if no improvement in six months after receiving recommendations from screening, state board may declare “state of emergency,” recommend to governor that superintendent be removed, escrow funds or provide additional technical assistance</td>
</tr>
<tr>
<td>TN</td>
<td>49-1-601</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>State board can remove local board and superintendent if district or school has been on academic probation for two years; audit conducted internally by state department</td>
</tr>
<tr>
<td>TX</td>
<td>39.13</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>If district doesn't satisfy accreditation criteria, several steps may occur; more severe each year, if district doesn't improve after one to two years; after one year, can appoint local residents to exercise powers of board; after two years, district can be annexed to adjoining district; public hearing held when district does not satisfy accreditation criteria</td>
</tr>
<tr>
<td>WV</td>
<td>18-2E-5</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>District must develop improvement plan if a school within district is denied accreditation; several stages to help schools make improvements; each year no progress is made, sanctions are more serious, final status is “non-approval,” resulting in potential removal of superintendent</td>
</tr>
</tbody>
</table>
III. KEY THEMES/ DEBATES FROM THE LITERATURE

Most of the literature reviewed for this policy brief included at least one research study and numerous articles and covered four main issues: (1) changes in governance, (2) impact on teaching and learning, (3) incentives and sanctions, and (4) effects on attitude. A synthesis in these four categories is provided below. The synthesis is organized around the “arguments for” and “arguments against” academic bankruptcy as they pertain to each category. These arguments, pulled directly from the literature, reflect the interests and views of various individuals. Sources are listed in section VI.

(1) Changes in Governance — Changes in governance occur when a state intervenes in a local school or district. The governance changes become more extreme with the severity of the situation. For example, a state initially may send in a team (“distinguished educators,” “external change agents,” “auditing team”) to help the district/school get back on track. In addition to other responsibilities, these teams help the district/school develop more effective management techniques, resulting in changes in structure and decisionmaking. Instead of sending teams in to coach local leaders, the state eventually may also appoint an interim leader to restructure the system or permanently replace the leadership of the system with state-approved leaders. This is when more dramatic changes in governance are often seen.

ARGUMENTS FOR ACADEMIC BANKRUPTCY (GOVERNANCE ISSUES):

- Allows the state to bring in new leaders committed to doing the job right, and get rid of those individuals who are not committed to high academic achievement.
- Provides for evaluation of principals, superintendents and other leaders on a regular basis.
- Encourages the formation of partnerships with other institutions and groups (e.g., higher education, school reform networks).
- Gives, in some cases, more control to school buildings (e.g., in Jersey City, NJ, the state-appointed superintendent gave committees of principals, staff members and parents the power to interview and hire teachers).

ARGUMENTS AGAINST ACADEMIC BANKRUPTCY (GOVERNANCE ISSUES):

- Adds another bureaucratic layer to an already bureaucratic system (e.g., “just substitutes power from one group of politicians to the other”).
- State regulators don’t have the capacity to sufficiently meet local needs (e.g., can’t visit sites often enough to evaluate performance in a meaningful way or to provide ongoing assistance and support).
- The state sets unrealistic timelines and expectations for improvement (e.g., expects tremendous changes in performance within a 6-12 month period; lets bad conditions exist for too long, then steps in and expects immediate results).
- Administrative challenges consume much of a state-appointed leader’s time, resulting in confusion and chaos at the district and school levels.

(2) Impact on Teaching and Learning — Academic bankruptcy laws allow a state to intervene in schools/districts that consistently perform below state education standards. The state’s role is to try to bring performance to a higher level. There is significant debate among those advocating for and against academic bankruptcy about whether state intervention has led to the improvement of academic achievement among students in low-performing schools.
Arguments For Academic Bankruptcy (Teaching and Learning Issues):

- Kentucky, West Virginia and New Jersey all reported improvements in student achievement in some of their districts or schools that have been taken over by the state.
- In New Jersey, state takeovers triggered increases in student enrollment and establishment of innovative programs to meet diverse student needs (e.g., early childhood education, magnet schools, advanced placement, summer school).
- The state may provide additional resources for teacher planning, staff development and other needs.

Arguments Against Academic Bankruptcy (Teaching and Learning Issues):

- Takeover programs tend to focus more on compliance and less on school improvement (e.g., spend more energy trying to “get out of Stage II” than on improving teaching and learning practices).
- Academic bankruptcy provisions don’t usually consider other factors that affect children academically.
- Direct impact on schools is insignificant when a state takes over a district (e.g., extra resources for staff development don’t reach school sites).

(3) Incentives and Sanctions — Considerable debate was found in the literature about the appropriate roles of incentives and sanctions as they relate to school and district accountability. More and more states are developing incentive programs as a means of rewarding schools that are doing well and encouraging lower-performing schools to improve. For example, the state of Washington has a competitive grants program to encourage innovation in schools and districts. Schools that receive funds understand they are expected to show results in order to sustain state support. States would rather provide incentives and rewards than sanctions, but what does a state do when a district or school is chronically underperforming? Ultimately, states are responsible for providing a “thorough and efficient” education for all children. Among the key issues facing states: What type of intervention is most effective? Should more up-front support be given prior to any intervention? What kind of information should the state provide to the district/school about the intervention process?

Arguments For Academic Bankruptcy (Incentives and Sanctions Issues):

- Prior to a complete takeover, most states give districts/schools opportunities to improve and often provide resources to help them through the process.
- More and more states are giving local districts greater leeway to use funds in a way that will produce the best academic outcomes and reward those who succeed. It is only when established standards of performance are not met that the state steps in.
- Several states — such as Kentucky, Maryland and Ohio — have developed reward programs for schools/districts that show measurable improvements. When possible, these rewards are monetary and regardless of the type of award, they are announced publicly, alerting the community to the progress of their schools.

Arguments Against Academic Bankruptcy (Incentives and Sanctions Issues):

- An emphasis on ways to prevent failures in schools at risk of being classified as low-performing should take precedence over sanctions for such schools after it is too late.
- Decisions about rewards and sanctions should go beyond just looking at test scores (e.g., Ohio reviews attendance, dropout rates and other measures in addition to test scores).
- A one-size-fits-all incentive and sanction program will not work; each school’s and district’s unique characteristics and conditions should be taken into account.
- When states step in, schools/districts are confused about what to expect. States should provide clear expectations about performance, set measurable goals, explain types of assistance to be offered, develop reasonable timelines and identify rewards/sanctions for success/failure.
(4) Effects on Attitude — When a state does intervene with a low-performing school or district, it affects everyone involved, including students, parents, community members, school/district staff, state department staff and elected officials. Some people resist the intervention, while others embrace it as an opportunity to fix the system.

Arguments For Academic Bankruptcy (Effects on Attitude):
- Parents and community members who are unhappy with a district’s or school’s performance support state interventions because they hope for improvements.
- The leader of one of New Jersey’s state takeovers reported positive changes in the areas of coordination, communication and commitment among district team members.
- As the result of a district takeover in West Virginia, an effective partnership was formed between the state and the district. People learned to get beyond blaming one another and work together.

Arguments Against Academic Bankruptcy (Effects on Attitude):
- Takeovers bring shame to the community (e.g., in Ohio, there is a proposal to eliminate the term “educationally deficient” that is currently used to describe low-performing schools).
- Takeovers have pitted people against one another instead of encouraging them to work together to improve schools.
- Stakeholders at the local level (e.g., parents, teachers) have expressed confusion about what the intervention/takeover involved, who was affected, how long the takeover would last and other issues.
- Staff who lose their jobs or are transferred may resist through litigation.

IV. WHAT ACTUALLY HAPPENS WHEN A STATE INTERVENES?

Example 1: Maryland

What happens when a district remains academically bankrupt, with little to no improvement even after several years of state intervention?

This issue surfaced most recently in Baltimore, where Maryland’s governor and Baltimore’s mayor have essentially agreed, through the signing of a consent decree, to reorganize the district, including a new school board and management structure for the Baltimore City Public Schools (BCPS).

What led up to this reorganization of the BCPS?
- In 1992, a report was commissioned on the BCPS. The objective of this report by a private consultant was to develop recommendations for BCPS that, when implemented, would improve achievement for the students in the city’s schools.
- In 1993, the Maryland General Assembly intervened. The BCPS entered into a three-year agreement with the Maryland State Department of Education that required the district to implement the recommendations stemming from this report.
- In 1995, a private firm was hired to evaluate and monitor the implementation of the report’s recommendations. They produced a second report saying that BCPS was not effectively implementing the recommendations.
- Upon receipt of this second report, the General Assembly found BCPS to be out of compliance with its agreement with the state education department and directed the department to do its own evaluation of the Baltimore school district.
In 1996, the state education department released its report, which found that BCPS had indeed failed to make substantial progress in terms of the initial report's recommendations. The General Assembly mandated immediate reform in Baltimore or funds would be withheld. What resulted was the consent decree signed by the mayor and the governor.

What is different in the reorganized Baltimore City Public Schools?

- **A new school board** — Members are jointly appointed by the mayor and the governor and held directly accountable for the academic achievement of Baltimore City children. Previously, all board members were appointed by the mayor.

- **A new management structure** — The district led by a chief executive officer will also hire a chief academic officer and a chief financial officer. Contracts for these positions are contingent upon continuous improvement in academic performance for Baltimore City children.

- **A parental advisory board** — This group ensures that parents, teachers and staff are involved in the school improvement process.

- **A district master plan** — A five-year plan to improve school management and accountability is in place; the master plan builds on the two commissioned reports, and includes measurable outcomes and timelines.

- **Progress reviews** — BCPS' performance will be evaluated after three and five years. The first review may recommend changes/opportunities for improvement; the final review will assess whether substantial improvement has been made.

- **Extra funding** — The agreement includes an extra $254 million in state funding for BCPS over five years.

Two important lessons can be learned from Baltimore's experience. One is that governance is not as much an issue as is accountability. Before the consent decree, the mayor exercised considerable authority over the district, appointing all school board members and the superintendent. The school district budget also was under the direction of the Baltimore City Council. Still, according to the mayor, it was difficult to produce needed changes in the system.

The second important lesson is that partnerships work better than top-down strategies by the state. The consent decree required all parties to concede some power — the state would not take over the school district, and the mayor would give up some authority. A third crucial element — acceptance of the decree's commitment to additional funding by the General Assembly — has yet to be approved.

**Example 2: Ohio**

**Given the opportunity, how would states improve their academic bankruptcy procedures?**

According to Francis Rogers of the Ohio Department of Education, Ohio has legislation pending to revise the state's current academic bankruptcy statute. The following box shows the current legislation and proposed changes:
If a district board is not making “satisfactory progress” after implementing a corrective-action plan over a one-year period, the state may place the district board under state monitoring and require specific measures including ultimately a formal hearing and potentially the suspension of the district superintendent and the school board.

If a district’s performance level drops, the state helps the district develop a strategic improvement plan, reviewed biannually. If performance improves, the state reduces its involvement. If performance fails to improve, the state continues to provide technical support and guidance over an indefinite period of time, so long as the district is making an effort.

A district would not be eligible for state monitoring (and the consequences that go with it) unless it demonstrates a “lack of effort.”

Other key changes proposed in the new Ohio legislation:

- Obligations and expectations are clearly stated in writing.
- A formal calculation is used to determine “satisfactory progress.”
- State expectations are sensitive to the uniqueness of each district (e.g., size, location).

It is not certain how these changes would have affected the Cleveland public schools, which until recently were operating under a set of federal desegregation orders and are currently under the supervision of the state superintendent through a consent decree. Over time, the Cleveland district became a system in crisis with consistently failing schools and severe budget problems. After 18 months of filling in as superintendent, the state superintendent believed some progress had been made in organization, budget, community support and resources. The experience also showed, however, that the development and implementation of solutions needed to happen at the local, not state, level.

**Example 3: New Jersey**

**What can a state offer in an intervention?**

Presently, New Jersey operates three urban school districts — Paterson, Newark and Jersey City — because of their persistent problems with low-student achievement and governance. The state provides:

- Urban specialists assigned to each district.
- Special coordinators and services for programs such as Title I.
- Monthly meetings between the state department of education and the leadership from all three state-operated districts. These meetings provide a time for sharing information and determining supports needed.
- An Urban Coordinating Council that cuts through red tape for state-operated districts.
- Extra funds, such as the $400,000 Urban Initiative Grant each district received to develop and implement its strategic plan.

At this time, the state is preparing to return Jersey City to local control, believing that it has made significant progress since the takeover seven years ago, both in student achievement and its commitment to continuous improvement. To help the district avoid a relapse, the state plans to develop guidelines for continued progress and integrate some safeguards into the process of state withdrawal, according to Gwendolyn Grant of the New Jersey Department of Education.
V. CONCLUSIONS/RECOMMENDATIONS

- Academic bankruptcy takeovers occur most often in urban districts where other problems, such as financial mismanagement, exist in addition to the problem of low performance. States need to find ways to look at urban issues holistically and to develop effective strategies for meeting the unique needs of urban schools.

- While states have seen some progress in schools that have been taken over, it takes many years for real improvements in student achievement to occur. States should identify and make accessible to failing districts those policies and practices proven successful in other troubled districts.

- In order to ensure a smooth transition from state control to local control, states should develop training for the new leadership (e.g., introduce key people to each other, discuss policies and programs that have been developed and effective over the last few years, discuss goals/plans for the future and provide consistent support). A primary goal of capacity-building ought to be to ensure stability of leadership and vision for troubled urban districts over a long period of time.

- When possible, states should position themselves more as partners and less as "the bad guys" when they intervene in a district or school. Local solutions and implementation always are better than top-down strategies. The role of states ought to be to use their partnerships with urban districts as a way to develop collaborations, enhance capacity-building and provide technical assistance whenever needed.

- States should make regular reports to the communities where the intervention occurred and recognize accomplishments in low-performing schools and districts. Positive news is good to hear after so much negative news.

- Districts that have been taken over usually receive some form of additional financial support. It is critical that a district’s long-term success be independent of these additional funds because once the district is returned to local control, funding is likely to be gone as well. States need to find ways of using existing resources to fund proven practices in low-performing districts.

VI. SOURCES OF INFORMATION ON ACADEMIC BANKRUPTCY

- "Agreement reached on Baltimore Schools’ funding and management." This overview of the consent decree signed in Maryland with Baltimore City Schools was published in the January 1997 Commission Connection by the Education Commission of the States (ECS).

- "Anatomy of a takeover." This article by Jessica Siegel about the state takeover of Jersey City, New Jersey, schools appeared in Education Week, March 2, 1994.

- "Austin High School recovering after reform from hell." This article by Dan Weissman about the first Chicago high school to undergo remediation appeared in the November 1995 issue of the Catalyst.

- Overcoming Barriers to School Reform in the Southeast. A research team identified the major obstacles to education reform in the Southeast and developed recommendations for getting beyond those obstacles in multiple areas, including governance and accountability. Southeastern Regional Vision for Education, 1994.
• "State takeover of Logan County, West Virginia, has win-win ending." This article about the release of the Logan County, West Virginia, district from state takeover appeared in the September 1996 Commission Connection by ECS.

• Takeover and Deregulation: Working Models of New State and Local Regulatory Relationships. This research document by Susan H. Fuhrman and Richard F. Elmore was published by the Consortium for Policy Research in Education, 1992. Case studies of four states (Washington, New Jersey, Kentucky and South Carolina) identify alternative ways for states to hold local districts and schools accountable. Washington and South Carolina are examined for their deregulatory programs, and New Jersey and Kentucky are examined for their takeover/intervention programs.

• "Takeover: The Paterson story." This piece by Laval S. Wilson appeared in the December 1994 edition of the American School Board Journal. Wilson was the state-appointed superintendent of the Paterson, New Jersey, schools. The article describes his experiences as leader of a state-operated district.
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