Mapping the Landscape of Charter Management Organizations: Issues to Consider in Supporting Replication

INTRODUCTION

An important question in the charter movement is how to best create and sustain high-quality charter schools. During the early years of the charter school movement, most charter schools were opened by teachers, parents, and other community members as stand-alone schools. In the past 10 years, this individual school approach to chartering has been joined by a network approach: the charter management organization (CMO). A CMO is a non-profit organization that creates a group of schools with a shared educational vision and mission.

At the federal level, increasing the number of high-quality charter schools, including those connected with a management organization, is an important priority of President Obama’s “Race to the Top” education initiative. However, few charter policies at the state level address CMOs, and authorizers tend not to differentiate between CMOs and stand-alone charters in their application, oversight, and renewal processes. Better understanding of this new trend in chartering is needed to facilitate the replication of high-quality charter schools.

This Issue Brief provides a snapshot of CMOs currently operating, drawn from one of the first comprehensive studies of this new charter model. The brief considers the growing popularity of CMOs in the current charter school environment and reviews the research available on CMOs. The brief reports findings from a recent national study conducted by the National Resource Center on Charter School Finance and Governance (NRC). It discusses trends in CMO growth, including length of operation, origin, geographic scope, grades served, and number of schools in the network. The brief concludes with recommendations for state policymakers, authorizers, and CMOs as they move forward in supporting CMO replication.
Growing popularity

Charter management organizations were established to help alleviate some of the common challenges faced by stand-alone charter schools. CMOs can help combat resource scarcity through economies of scale. For example, a network of schools generates a level of state funding that allows CMOs greater buying power to meet facility and operational needs in comparison to stand-alone charter schools. In addition, CMOs create a “home office” to provide governance and management oversight to the schools in their network, which frees principals to serve as instructional leaders. Further, a network approach enables rapid charter school growth, potentially influencing greater change in district-run schools. The popularity of the CMO model has exploded in recent years. For instance, in the 2008-2009 school year, more than half of the charters up for renewal in the Los Angeles Unified School District—which authorizes 145 charters, the most of any district nationwide—were affiliated with CMOs.

Education philanthropy, from corporate giving to family foundations, also supports the creation and expansion of CMOs. San Francisco-based NewSchools Venture Fund (NSVF) invests almost exclusively in CMOs. “It doesn’t make sense to reinvent the wheel every time a new charter school opens,” said Kim Smith, co-founder and former CEO of NSVF. In March 2009, the Bill & Melinda Gates Foundation—which helped launch NSVF in 2003 with a $22 million gift—announced their new $18.5 million School Networks Initiative to support the work of CMOs. Local philanthropies such as Denver’s Donnell-Kay Foundation also target grants to CMOs as a means to improve public education and drive systemic school reform.

“The charter movement is one of the most profound changes in American education—bringing new options to underserved communities and introducing competition and innovation into the education system. Across America we see great charter schools, from Noble Street in Chicago to IDEA Academy in Texas, Inner-City Education Foundation and Partnerships to Uplift Communities in Los Angeles and Friendship Public Charter Schools in D.C [all CMOs]. . . We have great charter networks like Aspire, KIPP, Achievement First and Uncommon Schools. You’re steadily getting to scale. Today, I am challenging you to adapt your educational model to turning around our lowest-performing schools.”
—Arne Duncan, June 22, 2009, Speech at the National Charter School Conference

Research Review

The rapid expansion of CMOs has raised new questions in charter policy development and implementation. However, early research on CMOs has been limited by definitional differences and findings that rely heavily on anecdotal evidence from a small, highly publicized subpopulation of CMOs.

What, exactly, is a CMO?

In recent discussions of education reform, the label “charter management organization” has been used as an umbrella term to describe a variety of management structures that charter schools may employ. In some cases, state law dictates that each charter school overseen by a CMO has its own governing board; other laws allow the schools to operate under a single board. Some CMOs have a governing board for each school and a separate board that governs the work of the home office. This variation makes it difficult for authorizers and policymakers to understand and adapt the specific lessons learned and challenges of this new governance model to their own situations.
For example, researchers at Western Michigan University compiled a collection of profiles on “nonprofit education management organizations” (EMOs). Organizations were profiled if they met any of the following criteria: 1) they operate three or more schools; 2) they are designated as a CMO by NewSchools Venture Fund or 3) they are a self-proclaimed management company. Under this definition, 488 public schools were managed by 83 nonprofit EMOs during 2007–2008.

In the NRC’s comprehensive study of charter management organizations presented here, we defined CMOs specifically as nonprofit organizations that manage a network of charter schools to differentiate them from for-profit education management organizations. The CMOs in the study, conducted by researchers at the University of Southern California’s Center on Educational Governance, shared three additional characteristics. First, each CMO has a common identifiable mission or instructional design across its schools. Second, every CMO has a home office or management team that provides significant ongoing administrative support to its schools. Finally, we included only CMOs that had at least three campuses in operation during the 2008–2009 school year with plans for further expansion because we were interested in the growth process. Our study excluded charter organizations that run virtual or online charter schools and school districts in which all public schools are charter schools. While a charter school in an all-charter district might be part of a CMO, the district itself wasn’t considered a CMO. Additionally, agencies that were created to serve a broader purpose but which also ran one or more charter schools were not included, as it was assumed that their approach to growth would differ from organizations that only oversaw a network of charter schools.

Using this definition, 40 CMOs were identified for inclusion into this study; the final study sample included 25 CMOs.

**Bringing CMOs to scale**

Reform-minded politicians and policy advocates recently have identified CMOs as a key lever in the replication of high-performing charter schools. In a June 2009 speech at the National Charter Schools Conference, Secretary of Education Arne Duncan highlighted several CMOs, including the Knowledge Is Power Program (KIPP), Achievement First, Uncommon Schools, and Aspire. Duncan applauded their scale-up efforts and challenged them to turn around failing schools. Likewise, the National Alliance for Public Charter Schools’ recent report on the need for charter school leaders suggests that CMO scale-up will be an important factor in future charter school growth.

Despite the growth in the popularity of CMOs, only a limited number of studies examine these organizations. In a review of a small number of CMOs, Harvard researcher Monica Higgins and the American Enterprise Institute’s Frederick Hess suggest that successful CMOs like KIPP and Aspire are able to sustain performance while continuing to grow by creating an “organizational career imprint”—a set of capabilities, connections, confidence, and cognitions.
that individuals share as a result of working for a given organization. Education Sector senior fellow Steven Wilson considers the limitations to CMO growth in a case-study analysis of eight “gap-closing, no-excuses” charter models, including three operated by CMOs, finding that the CMO model may be inherently limited by its specific human capital needs. Finally, the Center on Reinventing Public Education interviewed leaders at 10 management organizations (a mix of CMOs and EMOs) and identified five obstacles that hinder scale-up: political risk, unrealistic business plans, start-up skills requirements, undisciplined client acquisition, and uneven design implementation.

These studies provide important background for studying CMOs. Yet as CMOs grow in number, new questions related to scaling up and supporting rapid growth are only beginning to be considered. The study of CMOs presented here provides new information about what these organizations look like, how they operate, and issues that authorizers and policymakers should consider.

The goal of this study was to gain a comprehensive understanding of CMOs and the challenges and lessons learned in the scale-up process. We began the study by compiling a comprehensive list of charter management organizations. From this list of 40 CMOs, we collected background information available online—history, size, student population, grade configuration, location, mission, and future scale-up plans—and conducted preliminary interviews to confirm that the CMO fit the study’s sampling criteria. From the original list of 40 CMOs, we ended up with 25 that fit the sampling criteria and which agreed to participate (see Appendix A). Over 50 semi-structured interviews were then conducted with each CMO’s founders and key leaders, generally two per CMO. During these 60- to 90-minute interviews, CMO leaders described their growth planning process, factors that influenced plans for scale-up, implementation of growth plans, funding streams and lessons learned for new and emerging CMOs. The study findings provide both a breadth and depth of information about CMOs and their growth trajectories.

Findings

By revealing the variety in a number of variables—length of operation, origin, geographic scope, grades served and number of schools—our data provide a starting point to understanding the national CMO landscape.

Length of operation

The charter movement started in 1991 with Minnesota’s enabling legislation; CMOs entered the charter arena in the late 1990s. As noted earlier, most early charter schools were started as single schools, either public-school conversions or new schools founded by groups of teachers, parents or community members. These charter school founders were primarily interested in offering an alternative to their existing local public schools.

In the mid-1990s, for-profit education management organizations (EMOs) began to provide these fledgling schools with a range of services, from back-office support to curriculum packages to whole school management. Some EMOs gained national prominence, such as Edison Schools, but many shut down or merged due to controversy over for-profit organizations running public schools, subsequent provisions in many states’ charter-schools laws limiting for-profit involvement, EMOs’ lack of consistent academic results, and the losses incurred by the venture capitalists that financed them.
A nonprofit alternative to EMOs, the first charter management organizations surfaced in the late 1990s. One early CMO, Aspire Public Schools, was founded in 1998 by former school district superintendent Don Shalvey and Silicon Valley entrepreneur Reed Hastings. Since that time, CMOs have proliferated with charter school leaders’ growing awareness of the need for a more financially viable model, as well as their desire to replicate successful programming.

Our study found that nearly two-thirds of CMOs were established between six and 10 years ago, with only two CMOs in operation for more than 10 years. 2003 saw the largest number—seven—of new CMOs established. The most recent CMOs that fit our sample criteria were launched in 2005. While new CMOs continue to open, these data provide a current snapshot of the field. Figure 1 shows the establishment of new CMOs over time.

Origin
Although we defined CMOs to include only organizations managing a network of charter schools, 10 of the 25 CMOs in our study started out as a single charter school that expanded to a network as success or demand warranted the creation of additional campuses. As shown in Figure 2, this approach has become less common over time, indicating a change in strategy:

For those looking to develop a network of schools, a common approach in the past few years has been to establish a home office before or concurrent with the first school.

More recently, founders established the CMO structure prior to or concurrent with opening the first charter school.

The early years of the charter movement saw founders who rarely planned beyond opening a single campus. Since 2000, some founders have planned from the onset to create a network of schools in order to attain financial stability, to reach the greatest possible number of students, or to serve a certain proportion of the district’s students in order to spur change at the district level. The leader of one CMO that was established a year before opening its first school defined the network’s goal to have the resources to “keep class sizes at 25 or less, and have a reasonable number of central office staff that can support the schools, and also so that financially we are not relying on raising money every year.” Another CMO’s plan is to serve enough students to increase the graduation rates in the local district from 10 percent to 50 percent, thus changing the culture of the neighborhood. Its leader said, “When 50 percent of...
the kids in this community will be high school graduates, we think that’ll change everything. That’ll push back the gangs.”

Interviewees reported that staffing a CMO home office from the onset has been possible through the financial support offered from foundations and more recently, the Charter School Growth Fund, a “social venture investment fund” founded in 2005 with a mission to support “the development and expansion of high-quality charter management and support organizations” through grants and loans.12 Without this support, charter schools often have to operate with very thin administrative structures, making the establishment of a CMO home office possible only after enough schools are open to generate the funds to support the administrative structure.

Geographic scope
As shown in Figure 3, CMOs have opened schools in 26 of the 41 states with charter school laws. More than half of the CMOs studied have developed within a city or region of one state; only two CMOs have opened schools nationwide. CMOs serve a wide range of locales, from the urban areas of Washington D.C., New York, Los Angeles, Philadelphia, Phoenix, Chicago and Houston to suburban and rural areas in states including Oregon, Indiana and Georgia.

CMOs choose sites for new schools based largely on their mission or strategy. Some CMOs may pick a single school district, city or state in which to concentrate their efforts. For instance, one leader reported focusing their school growth within the boundaries of Los Angeles Unified School District, to provide alternative education options for these students and in hopes of pressuring the district to change in response to this competition. Other CMOs choose where to open their new schools based on targeted student populations. Several CMOs, for example, have opened schools in neighborhoods with predominately low-income, African-American or Latino families.

The “5 F’s” of Site Selection
Some CMOs are strategic about where they open new schools, examining a combination of factors which affect their growth potential in a new area. One CMO leader mentioned a “5 F’s” litmus test: facilities, funding, freedom, fellows, and friends.

- The facilities F refers to the availability of appropriate buildings to house the new schools;
- The funding criterion assesses the adequacy of the state’s per-pupil funding formula;
- The existence of charter-friendly legislation determines the freedom factor;
- The region’s potential to attract new school leader fellows also determines growth decisions; and,
- The availability of CMO friends—community advocates, political supporters and potential funders—influences location decisions as well.

The CMO identified these five factors as fundamental to the likelihood of success in entering a new region.
As shown in Figure 4, the majority of CMOs have implemented a pre-K-12 or K–12 grade configuration. Six CMOs chose to focus on middle- and high-school grades (6/7–12). Three CMOs had an elementary/middle-school model and two CMOs had solely high-school configurations.

Several CMO leaders identified the desire to provide a “complete” alternative to the school district as the reason behind opening a K–12 model. These “vertical” CMOs first open middle or high schools, then decide to open elementary schools to better prepare students at an earlier age. Similarly, one CMO leader who began with an elementary school reported wanting to continue the educational options for students after fifth grade and so this CMO opened middle and high schools. In other cases, “horizontal” CMOs create new schools that serve the same grade span as their original school, choosing to replicate what has already worked. This decision may be influenced by school mission (e.g., preparing students for college) or community demand. Several CMO leaders noted that charter legislation can make establishing a K–12 network of schools difficult; some charter-school laws prohibit CMOs from creating a direct feeder pattern whereby enrollment priority is offered to existing elementary students to attend a new middle school.

**Grades served**

To date, CMOs have tended to establish small networks of schools rather than emulate the large school districts in which many of them are located. As shown in Figure 5, more than 70 percent of CMOs had 10 or fewer schools during the 2008-2009 school year. Five CMOs had between 11 and 30 campuses; two CMOs had more than 30 campuses. More than 70 percent of CMOs served a student body of 1000 to 5000 students. At the time of the study, the CMOs profiled served 115,145 students from pre-K to 12th grade.

CMO leaders varied in the number of schools they sought to open and the reasons for their growth targets. Some CMO leaders felt that the optimal number of schools was directly linked to the CMO’s ability to affect education reform in their district or state; that only after the CMO had demonstrated consistent academic success with low-income students
in a sufficient number of schools would the district “pay attention” and begin changing the traditional system. Other CMO leaders tied their optimal number of schools to the schools’ ability to be financially independent from foundation support or other external funding such as corporate giving or federal grants, which were seen by some as risky to rely on. Finally, several leaders reported a tension between wanting to increase the quantity of school sites and adhering to a high-quality school model.

Policy Recommendations

For State Policymakers:

■ Consider the strengths and limitations of the CMO model when drafting and implementing charter policies. Legislators in states with the most charter schools—Arizona, California and Florida—have begun to recognize the increasing presence of CMOs in their charter legislation. Possible areas for policy adaptation may include lifting charter caps or allowing exemptions to encourage successful CMOs to expand their network; allowing CMOs to develop feeder patterns among their schools; or permitting a single governing board to oversee multiple campuses within a CMO network. Of course, policymakers should continue to hold CMO schools to the same high accountability standards as stand-alone charter schools.

■ Learn from the innovations of CMOs. Many CMOs are progressive in the area of talent development, spending significant time recruiting, hiring and training staff in their vision and educational philosophy. San Diego’s High Tech High (HTH) has its own state-accredited graduate school of education, where HTH teachers can earn masters and doctoral degrees. High Tech High leaders note that having their own training program helps the CMO retain teachers and also assures that future administrators in the HTH system have been acculturated to the HTH mission and vision. Green Dot Public Schools, a California-based CMO that recently expanded to New York, created its own teachers’ union to engage in collective bargaining for its teachers. Other CMO innovations that are replicable in traditional school districts include methods for teacher evaluation and data systems designed to serve a variety of stakeholders, from the classroom teacher and school principal to the CMO’s home-office staff.

For Authorizers:

■ Adapt the authorizing process—charter application, oversight, and renewal procedures—when considering new schools that are a part of a successful CMO model. California lawmakers accelerated the charter school authorization process for charter school networks by allowing them to apply for a Statewide Benefit Charter to open additional schools directly with the state, bypassing the local district authorizer and speeding up the authorization process if their existing schools meet state performance metrics. Aspire Public Schools (21 schools), High Tech High (eight schools) and Pacific Technology (two schools to open in 2009–2010 and 10 total by 2015) have all received Statewide Benefit Charter status.

■ Distinguish quality from quantity. Just as unsuccessful stand-alone charter schools are subject to intervention and/or closure, authorizers should monitor a CMO’s growth to ensure that quality is not sacrificed in its effort to replicate rapidly. It is not yet known if there is an optimal size for CMOs, or whether it is possible for a CMO to become “too large.”
For CMOs:

- **Be cautious of replicating district hierarchies.** Many of the CMOs have ambitious growth targets, and increased numbers allow CMOs to benefit from economies of scale and benefit more students. However, CMOs should be aware of the possibility of replicating the hierarchies and bureaucracies of traditional school districts if their networks become too large.

- **Grow the home office to support the network’s needs.** CMO leaders we spoke to noted the value of hiring someone dedicated to the acquisition, financing and renovation of facilities. Others stressed that it is important to balance the backgrounds and expertise of home office staff. If the CMO founders come from the business world, hiring a chief academic officer may be a smart next move; if the founders are educators, a chief financial officer might be the priority as the network grows.

**Moving Forward**

This issue brief offers an initial snapshot of the CMO landscape for a “big picture” look at this increasingly popular charter model. Moving forward, research can shift to in-depth questions that focus on aspects of CMO growth and operation.

For example, as CMOs look towards expanding their networks, they will need a considerable amount of start-up funding as well as long-term revenue sources. What are CMO funding strategies, and are they sustainable in the long term? A second area for consideration deals with the issue of talent development. As CMOs open up new school sites, how do they identify, select, and train new leaders? Finally, what are the contextual factors—state laws, district policies, market demand—that hinder or facilitate CMO replication? These and other questions will continue to arise as the CMO model gains more prominence on the national, state and local educational stages.
Appendix A: CMOs Included in the Study

Achievement First
Algiers Charter School Association
Alliance for College-Ready Public Schools
Arthur Academy—Mastery Learning Institute
Aspire Public Schools
Cesar Chavez Public Charter Schools for Public Policy
Envision Schools
Friendship Public Charter School
Great Hearts Academies
Green Dot Public Schools
High Tech High
IDEA Public Schools
Imagine Schools
Inner City Education Foundation Public Schools (ICEF)
King/Chavez Public Schools
Knowledge Is Power Program (KIPP)
Lighthouse Academies
Mastery Charter Schools
New City Public Schools
Noble Network of Charter Schools
Partnerships to Uplift Communities (PUC Schools)
Perspectives Charter Schools
Propel Schools
Uncommon Schools
YES Prep Public Schools
Notes


11 For more on Aspire’s history, see http://www.aspirepublicschools.org/?q=history

12 See http://www.chartergrowthfund.org/?q=node/2


14 See www.charterresource.org/files/An_In-House_Approach_to_Teacher_Training_HighTechHigh.pdf

15 See www.charterresource.org/files/Enpowering_Teachers_through_a_CMO-Created_Union.pdf
About the NRC

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The NRC develops and disseminates tools, information, and technical assistance to help charter school leaders at all levels—operators, authorizers and state policymakers—take steps to improve charter school finance and governance. For more information or to download a copy of this Issue Brief, visit the NRC website at www.CharterResource.org.

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