



Charter Management Organizations: *Innovations, Opportunities, and Challenges*

OVERVIEW

Over the past two decades, charter management organizations (CMOs) have become a significant force in the public K–12 charter school landscape. CMOs, nonprofit entities that directly manage public charter schools, are meant to meld the benefits of school districts—including economies of scale, collaboration among similar schools, and support structures—with the autonomies and entrepreneurial drive of the charter sector.

In the late 1990s and early 2000s, the major philanthropies funding charter schools invested heavily in CMOs and similar organizations, spending an estimated total of \$500 million between 1999 and 2009. Their investments have been targeted to specific urban school districts that have been considered difficult, if not impossible, to reform.

In recent years, the strong reputations of CMOs in many of these districts (e.g., New York, Chicago, and Los Angeles) have led policy leaders, including U.S. Secretary of Education Arne Duncan, to call for greater replication of high-performing charter schools via CMOs, especially as a strategy for turning around or replacing chronically low-performing public schools.

Despite the amount of investment and policy attention, there has been limited research to assess the impact of CMOs and their potential for improving public schools at scale. The National Study of Charter Management Organization Effectiveness was designed to better understand which practices and contextual factors are associated with CMO impacts. This brief presents findings from the study’s interim report; the final report (which includes student achievement analysis) will be issued in the summer of 2011.

QUICK FACTS:

How Many CMO Schools Are Out There?

- As of 2008, 82 CMOs operated an estimated 562 schools nationwide.
- 70% of CMOs operate fewer than 7 schools, while the largest operated 52 as of fall 2008.

Where Are They Located?

- CMO schools exist in 23 states and the District of Columbia.
- 67% of CMO schools operate in just 5 states.
- CMOs are regionally focused; 77% choose to operate within one state.

Who Attends CMO Schools?

- CMO schools enroll slightly more minorities and students from poverty than both their local district schools and charter schools nationally.

What Does the Future Look Like?

- The majority of surveyed CMOs aspire to operate between 10 and 35 schools at scale; at least 5 have aspirations for over 50 schools.

The National Study of CMO Effectiveness is a national, longitudinal research effort designed to measure how nonprofit charter school management organizations (CMOs) affect student achievement, and to examine the internal structures, practices, and policy contexts that may influence these outcomes.

The study is being conducted by Mathematica Policy Research (MPR) and the University of Washington’s Center on Reinventing Public Education (CRPE). It was commissioned by NewSchools Venture Fund, with the generous support of the Bill & Melinda Gates Foundation and the Walton Family Foundation.

RESEARCH AND FINDINGS

The interim report draws from interviews with key CMO personnel, visits to 20 CMO-operated schools, interviews with district leaders and other stakeholders, a national survey of CMO leaders, and a review of CMO business plans. The report reveals significant variation among CMOs, as well as critical differences between CMOs and traditional school districts. It also identifies numerous challenges facing CMOs as they attempt to bring their models to scale.

Variation in what and how much CMOs prescribe to schools

The study found that CMOs vary along a number of dimensions, including educational strategies, approaches to student behavior, emphasis on continuous improvement, and strategies for hiring and training teachers and leaders. CMOs also vary in their organizational growth goals and strategies—how large they wish to become and how they hope to influence public education writ large.

Most CMOs are fairly prescriptive, requiring that their affiliated schools follow a set design for curriculum and instructional techniques, human resource functions, and student behavior and support programs. Others prescribe little, preferring to adapt to the talents and preferences of local teachers and administrators. Larger CMOs are more likely to be highly prescriptive across the board.

More instructional time than in traditional public schools

While CMO-affiliated schools are open an average of only three more days per year than traditional public schools, the average school day is much longer—7.4

hours compared to an average of 6.2 hours.¹ These extra hours add up to the equivalent of an additional 30 days in class for students in the median CMO-affiliated school.

Emphasis on accountability, rewards for performance

Many of the interviewed CMO leaders suggested that they place primary responsibility for student achievement on school staff, not parents. The study's survey shows that CMOs consistently rank parent and community involvement lower than almost every other success factor or barrier to growth. CMOs are pairing increased responsibility with increased rewards: nearly half of all surveyed CMOs (46 percent) provide bonuses to teachers based on individual performance. CMOs are also frequently in schools, with 49 percent of surveyed CMO central office staff in schools either daily or weekly.

Limited, but promising, partnerships with school districts, yet doubts linger

District officials report mixed feelings about the CMOs within their districts. Some admire local CMO schools' academic results, while others dismiss or discount high test scores, perceiving that CMO schools are "cream-ing" students or teachers. Some fear the philanthropic support dedicated to scaling up CMOs risks crowding out promising stand-alone charter schools, and could reduce diversity within the market of educational providers. However, some districts, such as New Haven, New Orleans, Philadelphia, and New York City, have made CMOs key partners in districtwide reform strategies.

1. CMO numbers come from Central Office Survey; District numbers come from 2003-2004 SASS (U.S. Dept. of Ed., NCES, SASS 2003-04)

Financial self-sustainability is an elusive target so far

Most CMO business plans acknowledged early reliance on foundation funding, but projected break-even points when fees from affiliated schools would cover the cost of central offices and services to schools.

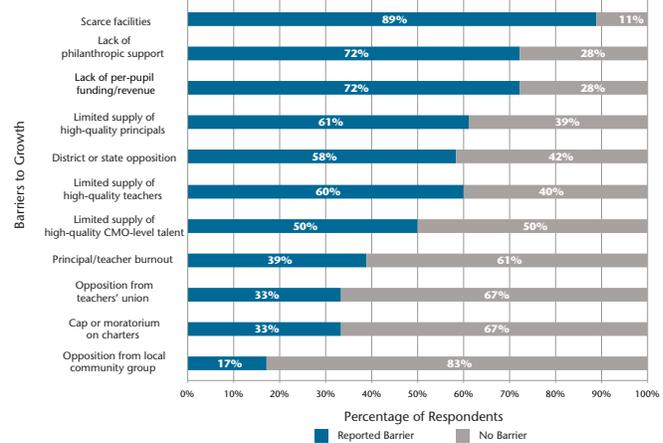
To date, many CMOs have had difficulty meeting their original growth targets, and many are struggling to create the necessary economies of scale to sustain their central offices without heavy reliance on philanthropy. The study's survey reveals that the average CMO relies on philanthropy for approximately 13 percent of its total operating revenues, but many CMO central offices could not exist today without philanthropy. A detailed financial analysis of four major CMOs shows, at least in these cases, that the need for philanthropic support has grown in proportion to the number of schools served.

High schools, teacher talent, and growing pains are ongoing challenges

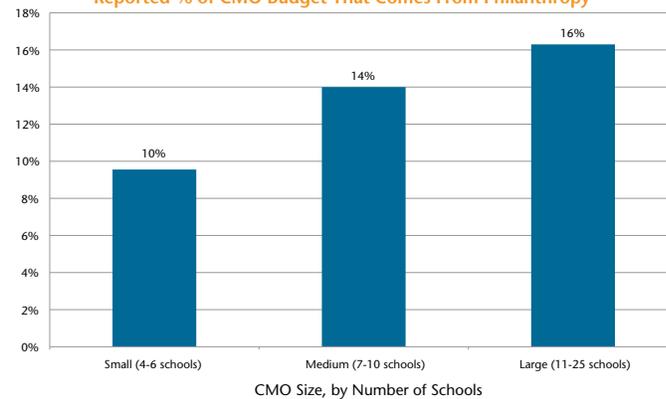
Interviews and surveys revealed a continued struggle with:

- extending CMO designs, most of which are based on elementary and middle school education, to work effectively at the high school level;
- collaborating effectively with school districts;
- continuing to increase the pool of highly capable teachers and administrators, many from Teach for America and other alternative sources, on which CMOs have relied heavily to date;
- stabilizing CMO schools against turnover of high-quality alternative source teachers, reducing staff burnout associated with longer school days and “No Excuses” approaches to instruction, and avoiding excessive bureaucracy.

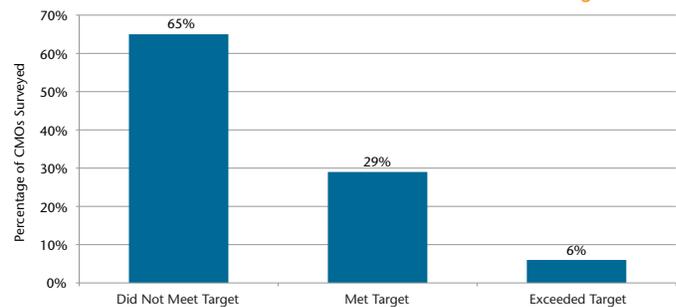
Greatest Reported External Barriers to Growth Are Facilities and Funding



Reported % of CMO Budget That Comes From Philanthropy



Percent of CMOs That Met Business Plan Growth Targets



Source: CMO Survey & Review of CMO Business Plans. CRPE.

POLICY RECOMMENDATIONS

To help CMOs realize their full potential in the face of various challenges, funders and policymakers should consider investing in policies that promote financial viability, collaboration, and innovation.

Invest in policies and practices that increase CMO financial viability.

- Create policies that give charter schools access to federal, state, and local funding on the same basis as other public schools.
- Encourage districts to follow weighted student formulas, in which public funds are allocated to schools on a per-pupil basis and weighted for student needs.
- Incentivize school districts to give CMOs more access to district-owned facilities.
- Develop real estate trusts that allocate available new or open facilities to high-performing public schools, whether they are district-run, CMO-operated, or stand-alone charter schools.

Provide new options for CMO collaborations.

- Endorse policies that allow high-performing CMOs to create their own leadership and teacher certification programs.
- Promote partnerships with colleges of education to identify what additional training their students would need to succeed as teachers in CMO schools.
- Create state or federal incentives that encourage CMOs and districts to collaborate around mutually beneficial practices.

Invest in new innovative practices rather than geographic or mission expansion.

- Invest in new CMO models that experiment with making better use of local labor sources or that, like new “hybrid” or “blended” school models, aggressively employ technology-based instruction to reduce labor costs.
- Invest in innovative high school leadership and teacher training programs to better prepare future CMO leaders and teachers for the realities of urban high schools.
- Encourage CMOs’ expansion to remain in a focused geographical region and to serve similar populations of students for whom their instructional methods were designed.

WHAT COULD A “CMO 2.0” MODEL LOOK LIKE?

Though the CMO model has dominated recent investment attention in the charter sector, there is no way to know if it is the only, or most, cost-effective and sustainable approach to achieving quality schools at scale. Experimenting with new ideas will give philanthropies and charter supporters a more complete set of options for promoting charter school growth.

Some possibilities include:

- “Unbundling” current CMO services, so that CMOs focus on a few mission-critical functions and contract out or allow schools to choose from a menu of independent vendors for other functions.
- Incubating and “spinning off” schools so that CMOs specialize in preparing schools for opening, then pass off schools that meet performance expectations to mutual support networks.
- Encouraging larger CMOs to operate as franchises of regional networks of schools as they expand geographically.
- Scaling up successful charter schools locally rather than relying on national networks.

CONCLUSION

CMOs are a growing presence in today’s charter school landscape, and they are as different as they are similar on their theories of action, structural organization, and growth strategies. CMOs offer the potential to scale up the charter movement to some degree, but they also face a number of organizational and financial challenges that will require innovation and problem solving on the part of CMOs and the philanthropies that support them. When completed, this study will be able to say how CMOs perform in terms of student achievement outcomes and how various CMO approaches may relate to those achievement results. But whatever their schools’ achievement results may be today, charting a future that encourages ambitious growth of quality CMOs will likely require serious thinking and innovative solutions.

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