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venture fund



CHARTER MANAGEMENT ORGANIZATIONS

Toward Scale with Quality

INTRODUCTION TO CHARTER SCHOOLS

For more than a decade, charter schools have been an important innovation and a means for improving public education. These public schools can be started by teachers, parents, community leaders or other education entrepreneurs who believe they have an alternative approach to public schooling that will produce positive results for children. Charter schools are granted a short-term charter from an authorizer (often a state agency or a district); this charter allows them to operate independently from the district while still being supported by public dollars. In exchange for this flexibility – which liberates them from many of the restrictions that traditional public schools are bound by, such as collective bargaining agreements – they must demonstrate improved student achievement. If a charter school does not successfully serve its students, it can have its charter revoked and its doors closed.

This innovative arrangement has proved popular across the country. In the fifteen years since the first state charter school law was enacted in 1991, more than 4,100 individual public charter schools have been created across the country, serving more than 1.2 million students annually in 40 states and the District of Columbia. Most of the “first wave” of charter schools were one-of-a-kind entities, planned and built by local innovators; they represented diverse educational models and school cultures that would allow parents, teachers and leaders to choose the learning environment that suited them best. Perhaps more importantly, these charter schools have demonstrated what public schools can achieve when given flexibility in exchange for improving results.

However, the rate of growth of charter schools has slowed considerably over the past several years. The effort to create individual charter schools, one at a time, has required nearly “superhuman” effort of brave and tireless individuals. At the same time, parents and communities have responded positively to charter schools, so that the demand for them far exceeds the supply of these leaders. As such, it is critical that the charter school movement find better ways to start and run new public schools that can meet the diverse needs of students across the country.

Further, the focus on individual charter schools as the unit of change misses an even more important opportunity: the potential to create new systems of high-quality public schools from the ground up. The creation of such systems has ramped up over the last few years in response to the need for increased *scale*, *sustainability* (financial as well as organizational), and *consistent quality* among charter schools. In addition to providing much-needed educational opportunities for low-income and other traditionally underserved students, charter school systems may also demonstrate effective alternative approaches to running a system of public schools. This makes them a powerful agent of systems change in public education.

ABOUT CHARTER SCHOOL MANAGEMENT ORGANIZATIONS (CMOs)

Charter school systems can take many forms, ranging from loose national confederations of like-minded school models, to close-knit regional networks, to centrally managed organizations with a shared vision and common school model. Each of these organizational approaches has its own strengths, but NewSchools Venture Fund believes that charter management organizations (CMOs) – nonprofit networks of schools that serve a specific geographic area or set of markets – are one of the most promising models. The CMO model is uniquely positioned to maximize quality and sustainability, while also leading to scale within a targeted geographic area.

- **Quality.** At the heart of most CMOs is a management team that brings together “hybrid” skills from across educational pedagogy, business systems, and the public sector; these leaders work together to build a performance-driven system oriented toward the needs of their customers – parents and children. This team starts and runs a coherent set of charter schools within a limited geographic area, and often holds the charter for those schools centrally, allowing them to maintain consistent quality from school to school. Each of the schools within the CMO is developed around a common brand and educational model, which allows the organization to build common systems that effectively support all schools, including staff recruitment, student instructional and assessment strategies, and ongoing professional development for teachers and leaders. Further, because everyone from students to board members has chosen to participate in the system and support its model, all these stakeholders are aligned around the school system’s goals and strategies.
- **Scale.** By leveraging their experience and resources across multiple schools, charter school management organizations can start and run multiple charter schools more efficiently than a variety of one-of-a-kind charter school operators would be able to do. In this way, they can respond to communities’ demand for additional school options. Because they are creating a school system from the ground up, these CMOs may also be useful experiments in determining the appropriate scale and structure necessary to support schools. Large comprehensive schools and massive urban school districts often struggle to provide each school with appropriate support and attention, but CMOs have the opportunity to design smaller scale systems that may better serve students. By focusing on creating many schools within a targeted area, these CMOs can demonstrate high student achievement at scale, which may also translate into a greater impact on the surrounding district or region.
- **Sustainability.** Charter school management organizations are built from the start to reach sustainability over time. Although substantial philanthropic start-up capital is required, over time each school begins to draw per-pupil funding from public sources and contribute a portion toward the organization’s overhead costs. By pooling resources across schools, CMOs have a substantial advantage over individual schools in gaining access to resources like financing for school facilities. By centralizing operations and expertise, and spreading those costs across multiple schools, CMOs can achieve economies of scale. Like the central office of a traditional school system, the home office of a CMO may also be able to build more capacity – for projects like fundraising support, facilities development and instructional support – than would be cost-effective for individual schools to develop on their own.

How Are CMOs Different From Other Charter School Scale Efforts?

As mentioned earlier, charter schools that are not part of a CMO are typically either one-of-a-kind schools or members of some other form of charter school system – such as a group of affiliated schools, a national network or an education management organization. Affiliated charter schools tend to adhere loosely to a set of design principles and may receive limited support from a central organization, but they operate independently and thus may vary in quality. National networks of schools, such as the Knowledge Is Power Program (KIPP), do not hold the charter for their schools and tend to have more variations in the school model between individual school sites. Education management organizations (EMOs) like Edison Schools or National Heritage are usually for-profit, national entities. Because an EMO’s schools are distributed across

the country, hands-on support can be expensive; in addition, as for-profit organizations, EMOs may also face pressure from investors or shareholders to prioritize financial returns over student outcomes.¹

Although a number of these systems have produced successful educational outcomes for students, we believe CMOs represent a high-leverage path to creating new school systems that are sustainable, scalable and that deliver high-quality outcomes. NewSchools believes that the features of a CMO – including central management, common educational models across schools, and consistency in school-level design – allow for a unique degree of alignment and consistency throughout its schools. Because of this design, CMOs can deliver consistently high educational outcomes by providing their schools with hands-on support and quality assurance.

Supporting CMOs and Charter Scale

Over the last eight years, NewSchools has helped to start and grow more than a dozen charter management organizations; today, these CMOs operate more than 125 schools and serve more than 35,000 students in urban areas across the country (see Appendix: CMOs Supported By NewSchools Venture Fund, pages 6-7).

Although NewSchools will continue to support CMOs in select geographic areas over the coming years, there is much that remains to be done to encourage the growth of CMOs and strengthen the charter movement overall. Foundations and individual donors are needed to contribute both funds and expertise to charter schools and school systems; many donors have chosen to support this field via contributions to NewSchools, whose unique expertise is in navigating the complex landscape of charter schools scale, backing the most promising charter management organizations, and providing hands-on management assistance to ensure that their school systems achieve outstanding results as they grow. In addition to financial support, the engagement of local, state and national policymakers will be crucial for helping foster an ecosystem that encourages charter schools and systems to thrive in the communities that need them. The help of the research community – in evaluating various charter school models and assessing their academic impact – is also a critical component in ensuring that the charter school movement remains vibrant and effective.

Of course, there is an ongoing need for entrepreneurs and others who are willing to commit the necessary time, energy, passion and inspiration to the important challenge of establishing and scaling up these new systems of high-quality public charter schools. The teams that build these organizations often find they need complementary expertise from across many sectors, including instructional leadership, business operations, nonprofit management, and even public sector management; like many other areas of public education, effective charter management organizations bring together elements from each of these arenas and so demand a “hybrid” set of skills. As such, these organizations provide a unique opportunity for a variety of talented leaders to get involved in public education reform.

The potential payoff is great: when leaders from across the public, private and nonprofit sectors can work together to support the growth and quality of charter management organizations, we can both increase the number of students and communities served by high-quality public schools and enhance the ability of the charter school movement to have a dramatic, systemic impact on public education writ large.

¹ For additional information about the landscape of these new school development approaches – including their approaches to managerial control and specificity of school design – see “Expanding the Supply of High-Quality Public Schools” by Kim Smith of NewSchools, Susan Colby of The Bridgespan Group, and Jim Shelton of the Bill & Melinda Gates Foundation at <http://www.newschools.org/viewpoints/documents/ExpandingTheSupply.pdf>

Appendix: CMOs Supported By NewSchools Venture Fund (as of fall 2007)

Achievement First (www.achievementfirst.org)

Geographic Focus: Connecticut and New York

Grades: K-10 Schools: 12 Students Served: 2500+

Alliance for College-Ready Public Schools (www.laalliance.org)

Geographic Focus: Los Angeles area, California

Grades: 6-12 Schools: 10 Students Served: 2900+

Aspire Public Schools (www.aspirepublicschools.org)

Geographic Focus: California

Grades: K-12 Schools: 21 Students Served: 5900+

DC Preparatory Academy (www.dcprep.org)

Geographic Focus: Washington, D.C.

Grades: PreK-3, 4-8 Schools: 2 Students Served: 600+

Education for Change (<http://www.efcps.org>)

Geographic Focus: Oakland, California

Grades: K-5 Schools: 3 Students Served: 1300+

Friendship Public Charter Schools (www.friendshipschools.org)

Geographic Focus: Washington D.C.

Grades: PreK-12 Schools: 5 Students Served: 3800+

Green Dot Public Schools (www.greendotpublicschools.org)

Geographic Focus: Los Angeles area, California

Grades: 9-12 Schools: 12 Students Served: 4100+

Inner City Education Foundation (www.icefla.org)

Geographic Focus: Los Angeles area, California

Grades: K-12 Schools: 9 Students Served: 1800+

KIPP DC (www.kippdc.org)

Geographic Focus: Washington D.C.

Grades: PreK, 5-8 Schools: 4 Students Served: 810+

Leadership Public Schools (www.leadps.org)

Geographic Focus: Northern California

Grades: 9-12 Schools: 5 Students Served: 1200+

Lighthouse Academies (www.lighthouse-academies.org)

Geographic Focus: National

Grades: PreK-5 Schools: 11 Students Served: 2800+

Mastery Charter High School (<http://www.masterycharter.org>)

Geographic Focus: Philadelphia, Pennsylvania

Grades: 7-12 Schools: 4 Students Served: 1300+

Noble Network of Charter Schools (<http://noblenetwork.org>)

Geographic Focus: Chicago, Illinois

Grades: 9-12 Schools: 5 Students Served: 1300+

Partnerships to Uplift Communities (www.pucschools.org)

Geographic Focus: Los Angeles area, California

Grades: K-12 Schools: 8 Students Served: 1900+

Perspectives Charter Schools (<http://www.perspectivescs.org>)

Geographic Focus: Chicago, Illinois

Grades: 6-12 Schools: 4 Students Served: 1100+

Uncommon Schools (www.uncommonschools.org)

Geographic Focus: New York and New Jersey

Grades: K-12 Schools: 9 Students Served: 1300+

UNO Charter School Network (<http://www.unocharterschools.org>)

Geographic Focus: Chicago, Illinois

Grades: K-8 Schools: 6 Students Served: 780+

TOTAL **Schools: 130** **Students Served: 35,000+**