Charter School Management Organization (CMO) Governance

Webinar
TODAY’S FORMAT

► Action-packed webinar
► Time for Q&A after

We will provide a link to a recording of this webinar.
What We’re Going to Cover

► Clarification / Definition – CMOs etc.
► Common pitfalls and mistakes made by CMO boards and how to avoid them
► Structuring your board for growth and replication
► Clarification of the CEO’s role in your board evolution
► Recommended action steps
► Time for Q&A
What’s a CMO?
Definitions / Clarifications

What’s a CMO?*

► Charter Management Organization (CMO) is a nonprofit entity that manages two or more charter schools.

► Well known CMOs include KIPP, Uncommon Schools, Rocketship, Green Dot, etc.

► CMOs typically offer a full suite of supports to schools bearing their name and this includes the adoption of a complete academic model, discipline code and a systematic way to build a school culture.

* Excerpted from National Alliance for Public Charter Schools primer.
Definitions / Clarifications

What’s an EMO?*

- Education Management Organization (EMO) is a for-profit entity that manages charter schools in a similar fashion as a CMO.
- EMOs charge a management fee for their services.
- They may provide some or all of the services.

Both CMOs and EMOs tend to have considerable influence over the organization as they typically are contracted to provide all the services the organization needs.

*Excerpt from National Alliance for Public Charter Schools primer.
Definitions / Clarifications

CMO? EMO?

- Typically a CMO evolves from the creation of a single school that is highly successful and then the founders grow and replicate that organization.

- Typically an EMO is created as a business and then looks for boards/organizations to partner with/sell their services to.

*For today’s webinar we are focused exclusively on CMO governance.*
Governance Matters!

Academic Excellence
Organizational Sustainability
Growth and Replication

Self-Sustaining Board
Equipped to govern multimillion $ public enterprise

Strong Partnership with CEO

Staff
Curriculum
Money
Stakeholders
Effective Governance is Key to Delivering Great Outcomes for Kids

All too often charter schools are only incrementally better than their district counterparts.

The Stakes Are High to Get It Right
Effective, sustainable, charter school governance will determine the fate of 20-40% of US public school students by 2035.
CMOs Will Determine the Future of the Charter School Movement

A Quick Look at Sector Growth Courtesy of Our Friends at Bellweather Education

State of the Charter School Movement Report
The number of charter schools and students has grown rapidly over the past 15 years.

Number of Charter Schools and Student Enrollment by Year

- **# students, in millions**
  - Students
  - Schools

- **% of all students nationally**:
  - 1999: 0.7%
  - 2000: 1%
  - 2001: 1.2%
  - 2002: 1.4%
  - 2003: 1.6%
  - 2004: 1.8%
  - 2005: 2.1%
  - 2006: 2.4%
  - 2007: 2.6%
  - 2008: 2.9%
  - 2009: 3.3%
  - 2010: 3.7%
  - 2011: 4.2%
  - 2012: 4.6%
  - 2013: 5.1%
  - 2014: 5.8%

- **# schools**:
  - 1999: 1.5K
  - 2000: 0.35M
  - 2014: 2.9M
  - 2014: 6.7K

There are now over 6,700 charter schools, more than triple the number that existed in 2000.

Although the growth rate from 2005-2015 is lower than the rate from 2000-2005, the number of additional charter schools opening each year has kept pace.

Charter student enrollment has grown even more rapidly than the number of charter schools

**Total Charter Enrollment Nationwide**
*SY ’99 – SY ’13, in millions*

- **Increase of 439K students**, +18%
- **Increase of 730K students**, +13%
- **Increase of 1.3M students**, +12%
- **2.9M**

**Notes**
- Student enrollment grew more rapidly than the number of schools due in part to schools that added grades to grow over time
- Virtual schools, which enroll large numbers of students, also contributed to rapid enrollment growth

15 states account for over 80 percent of new charter schools in the past five years.

New Charters Opened, by State, from School Years 2010 to 2014

80% of Charter Growth

Top 15 states:
- ~2,260 new schools

Nationwide:
- ~2,600 new schools

Source: Analysis of NAPCS dataset.
CMOs account for 22 percent of new charter schools created in the same time frame

Number and Percentage of New Charter Schools
By operator type and school year

<table>
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<th>School year</th>
<th># new schools</th>
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Definitions
- **Education Management Organization (EMO)**: For-profit operator that operated multiple public charter schools during this time period, including virtual operators.
- **Charter Management Organization (CMO)**: Nonprofit operator that operated more than four public charter schools during this time period.
- **Freestanding Charters**: Charter schools not connected to any CMO or EMO.

High-performing, nationally recognized CMOs now serve nearly 300,000 students

**Total Student Enrollment by CMO**
Includes all CMOs in Charter School Growth Fund (CSGF) portfolio, KIPP, and Harmony

- Rocketship: 9.9K
- Success Academy: 9.5K
- Great Hearts: 9.3K
- YES Prep: 10.2K
- Achievement First: 10.3K
- Noble: 12.0K
- Uplift Education: 14.7K
- Mastery: 19.4K
- Uncommon: 28.5K
- CICS: 59.0K
- Aspire: 52.3K
- IDEA: 59.0K
- Harmony: 52.3K
- KIPP: 59.0K
- All other CMOs in CSGF portfolio: 271.2K

**2014**

**Notes**
- Includes data for Charter School Growth Fund’s current portfolio and alumni, additional KIPP regions not included in the CSGF portfolio, and Harmony Schools (2nd-largest national operator after KIPP)
- These CMOs serve about 9 percent of all charter school students

Sources: Charter School Growth Fund, KIPP, Harmony Schools.
This set of CMOs has grown at twice the national charter sector rate.

**Total Student Enrollment**  
*In high-performing, nationally recognized CMOs*

- **2009**: 89.8K  
- **2014**: 271.2K  
  - **Change**: +25%

**Total Student Enrollment**  
*In all charter schools, nationally*

- **2009**: 1.6M  
- **2014**: 2.9M  
  - **Change**: +12%

Sources: CSGF, KIPP, Harmony Schools. Growth rate is compound annual growth rate (CAGR).
If current trends continue, high-performing CMOs will serve more than 650,000 students by 2020.

Estimated Student Enrollment and Growth
In high-performing CMOs

- 2014 (current estimate): 271.2K
- 2020 (projected): 662.7K

+20% growth

Sources: Charter School Growth Fund, KIPP, Harmony Schools. Growth rate is compound annual growth rate (CAGR). Growth projection calculated using growth/seats projections for KIPP network, CSGF portfolio, and Harmony Schools growth plans. 2020 growth projections are based on holistic estimates using past trends, not on concrete business/expansion plans of existing CMOs. CSGF growth projections include both existing portfolio of schools and future additions to portfolio, some of which may not yet be CMOs.
High-performing CMOs are concentrated in certain cities and regions

Top 15 Metropolitan Areas with Highest Number of Seats in Select High-Performing CMOs

Enrollment range: 2,500-33,000

Sources: CSGF, CMO annual reports, and CMO website data.
A subset of CMOs is also leading innovation in personalized learning

Charter schools are at the leading edge of incorporating technology to personalize learning

- Summit Public Schools
- Rocketship Education
- KIPP Empower
- Carpe Diem Schools
- Merit Prep Newark

Individual student learning “playlists”
Digital content
Competency-based progression
Flipped classrooms
Flexible learning environments

But most charters do not employ particularly innovative instructional approaches

Most high-performing charter schools utilize traditional curriculum and pedagogy
- Accountability systems may create disincentives to take risks with innovative approaches
- Authorizers are reluctant to approve unproven models
- Parents may prefer more-traditional models

Most significant charter innovations have been organizational rather than instructional
- New approaches to administration and governance
- Allocation of resources (e.g., Equity Project teacher salaries)
- Educator evaluation and talent management systems (e.g., Achievement First, Mastery)
- Extended learning time (many CMOs)
- Human capital pipelines (e.g., KIPP, Relay)

Sources: Fordham 2005 Playing to Type?, CRPE 2008, In the Eye of the Beholder
The Stakes Are High
How Are CMO Boards Doing?
CMO Boards Are Not As Effective As High-Performing Single Site Peers

► Overall the governance of the charter sector could be much stronger

► Building an effective sustainable board is often the last thing that charter organizations address

► While there is no empirical data, we have worked with more charter boards than any other organization in the country and our evidence shows CMO boards are not as effective as their high-performing single site peers
Why are CMO Boards Less Effective Than Their High-Performing Single Site Peers?

CMO boards typically have higher caliber, more experienced trustees than their peers. Yet their governance is typically less effective.

Reasons include:

► Board is assembled more for fundraising than oversight.

► Organization has strong results, so the CEO and team are “given a pass”, until the results aren’t there and the board gets a wake up call.
Why are CMO Boards Less Effective Than Their High-Performing Single Site Peers?

► CMO boards meet too infrequently – partly because the leadership of the organization prefers less oversight, and partly because their “fundraising board” doesn’t have the time to commit to the roll-up their sleeves work required.

► CEOs of CMOs lack the skills of managing their board and are less likely than their peers to acknowledge this and to seek professional development.

► Factors above are compounded by larger donors who reinforce that governance doesn’t matter, and help perpetuate these issues.
Why are CMO Boards Less Effective Than Their High-Performing Single Site Peers?

Structural Issues

► Charter laws and authorizing slow to catch up to CMO growth

Example:

► NYC originally needing to have one board for each school chartered

► National CMOs expanding in other states and not being required to have a local board
Recommended Action Steps
CHARTER SCHOOL BOARD EVOLUTION

1. Founding Board
   Focus: 0-2 years out
   Compliance-driven
   Build team and systems

2. Sustaining Board
   Focus: 3-5 years out
   Performance-driven
   Achieving charter promises

3. Thriving Board
   Focus: 5-10 years out
   Future-driven
   Consistently exceeding charter promises. Growth & Replication

Acknowledge That Governance Matters

Take Stock

▸ You have probably been very busy doing the hard work of launching and growing a successful school or network of schools

▸ Get an honest assessment of your governance strengths and areas to improve

▸ Think about what where you need to be in a 5-10 years as an organization and acknowledge that the board is probably the most important component to your growth, replication and sustainability
Develop a Clear Vision

How will the board add value?

► What does wildly successful look like for your organization in 3 years? 5 years? 10 years?

► Collectively the Board and the CEO should develop a clear vision of how the board will add value to making this wildly successful vision a reality.

► Can’t emphasize enough how important the CEO is to driving this visioning process – must devote the time, must be able to articulate the board’s role
Demand Excellent & Real Work

What does it take to deliver on your vision of excellence?

► You need a hands on working board
► Your board should provide both oversight in key areas but also help with creating the future
► Board needs to have the skills, time and temperament to govern a multimillion dollar public enterprise
► Must be able to roll up their sleeves and contribute – not a few worker bees but the entire board
► You need to recruit trustees and build a culture of accountability that makes this a reality
► And you probably need to just plain old meet more & use your time more strategically!
Structure Your Board for Success

The Right Structure

► 4 officers
► A board of 11-15 trustees
► A board large enough to have active engaged committees
► Committees doing tangible work in between meetings
CEOs must make time to:

- Learn about governance
- Create a clear vision of the role of governance in delivering great results for kids
- Actively develop a short and long-term vision for the board (structure, composition, focus/work)
- Devote the time to make the above a reality
What Does This Look Like In Action?
What’s the Difference Between CMO Governance and Single-Site Governance?

Key Differences

► It’s the same areas of focus just a different level of degree
► All charter school boards should be doing oversight work and work that creates the future
► CMOs will have more staff in place to take the lead on prepping for the oversight role
► Single-sites are more lean on staff so the board may need to roll up their sleeves and tee things up
What’s the Difference Between CMO Governance and Single-Site Governance?

Finance Example – CMO vs. Single Site Work

► Monthly Financial Oversight
► Annual Audit
► Preparing the Annual Budget
► Developing a 3-5 year Financial Outlook
► Green Lighting Growth and Replication Plans
Other Common Mistakes
Who Gets to Determine Growth?

► We see many organizations struggling with issues of growth

The most common examples are:

► Single site dragging their feet on growth
  – Often very substantial wait list of students
  – Founding board dragging their feet on growth
  – Founding CEO dragging their feet on growth
Who Gets to Determine Growth?

CMOs growing too fast / without enough oversight

► Significant investment made by national funder to fuel growth
► Often board has had very little input in growth
► Growth plans not matching current market reality – talent, students, facilities
► Lack of a clear green lighting process
Clarifying Role of CMO Board vs. Other Boards

► States and authorizers vary greatly

► Cleanest model is one board governs the entire organization
  – Example: Magnolia Public Schools governs 11 schools statewide

► Other Common Model
  – Example: Achievement First
    One CMO board which is a nonprofit and not subject to state open meeting laws
    That CMO has contractual relationship with governing boards in CT, RI, and NY
    Charters are held by the local boards not the CMO
    Local boards have “hired” the CMO to run their schools
Clarifying Site-Based Oversight

► Most CMOs have grown from one highly successful school into multiple schools
► The founding board was used to having lots of access to and oversight of that single site
► Very common mistake it to think the board needs to continue to have that level of involvement with every new school that is opened
► Stakeholder input needs to be a management function not a board function
► Board should have oversight mechanisms in place
Questions?
### Interested in Getting Support for Your Unique Situation?

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<tr>
<th>Members</th>
<th>Non-Member</th>
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<tr>
<td>Set Up a Call with Your Governance Coach to Talk Through Your Board’s Evolution</td>
<td><a href="mailto:info@boardontrack.com">info@boardontrack.com</a> and ask for Free Consultation</td>
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www.BoardOnTrack.com