

FRIENDLY Competition

EVERYONE HAS READ THE UBIQUITOUS FEATURE STORY about a charter school—Jane and John Q. Public and their friends, sitting around somebody’s kitchen table, dream up a different kind of school for their kids. Putting in hours of sweat equity, charging start-up costs to their credit cards, maybe even mortgaging their homes to bring their dream to reality. Making the economics work by taking parent involvement to a whole new level—parents driving buses, cleaning school bathrooms, mastering the intricacies of state financial reporting requirements.

Charter schools with origins like these can be compelling and unique, models of the outside-the-box approaches these schools are supposed to pilot. And most of the dramatic success stories from the charter world come from schools founded by teachers or community members. For example:

♦ *KIPP Academy, Houston.* At KIPP, a middle school founded by two former Teach for America members, one recent class entered with passing rates of 35 and 33 percent on state math and reading tests. The following year, the class’s rates rose to 93 and 92 percent.

♦ *The Accelerated School, Los Angeles.* Opened by two teachers in 1994 and named *Time* magazine’s “Elementary School of the Year” in 2001, the school reports that its scores on the Stanford Achievement test have jumped 97 percent since 1997.

ILLUSTRATIONS BY DAN VASCONCELLOS

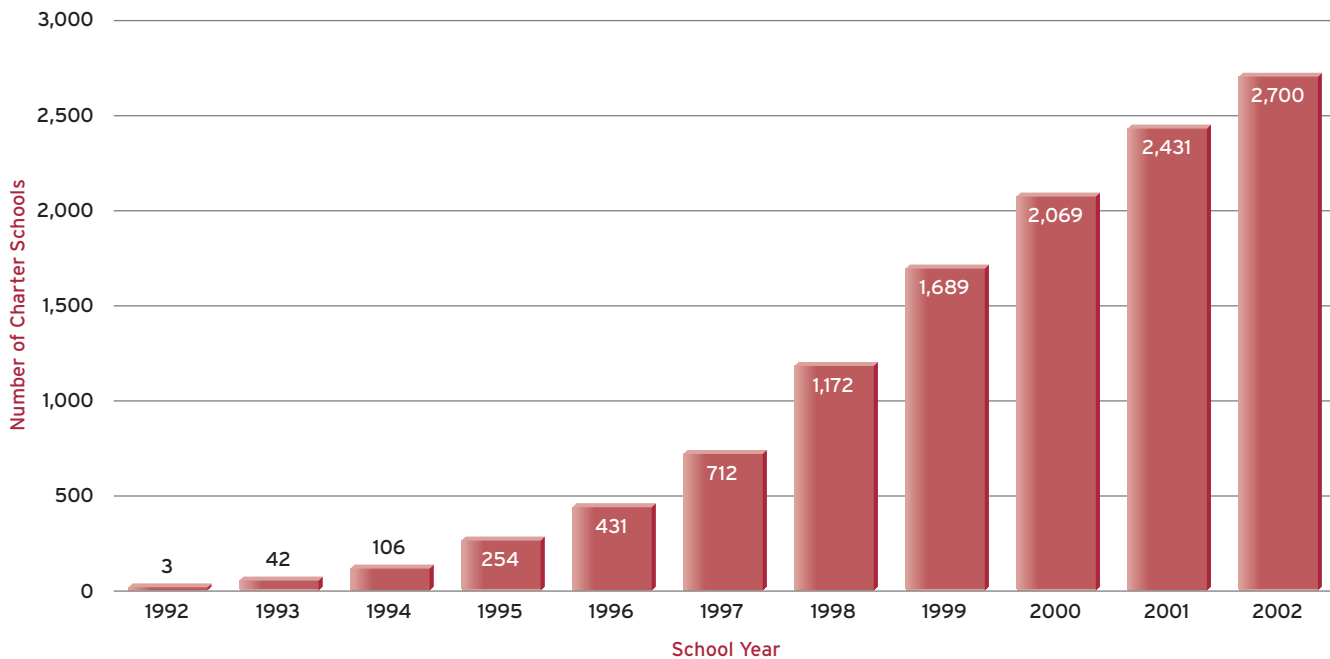
Sleek education management firms are a vital component of the charter school movement, but innovation is more likely from the visionaries who create unique, grassroots charters

by BRYAN C. HASSEL



Growth Slowing (Figure 1)

The early years of the charter school movement saw doubling and even tripling in the number of charter schools. In recent years, however, the rate of growth began to slow.



SOURCE: Center for Education Reform

♦ *North Star Academy, Newark, New Jersey.* Based on preliminary results from the spring 2000 state test, 88 percent of the school's first 8th grade class scored proficient or above in language arts (compared with 47 percent citywide), and 66 percent scored proficient or above in math (versus 21 percent citywide).

Numbers like these are eye-catching. But can these stand-alone, typically small charter schools serve as the basis for a sustainable, large-scale movement for change in education? Or are they likely to remain the exception rather than the rule? After all, starting an innovative, successful charter school is extraordinarily difficult, and few entrepreneurs seem cut out for the job.

Small Businesses

There are certainly reasons to think of successful stand-alone charter schools as an interesting but ultimately marginal phenomenon. Starting a public school from scratch is, in a word, difficult. It has become a cliché that charter schools, in addition to being educational institutions, have to succeed as small businesses—balancing their budgets; negotiating leases, financing packages, and contracts; and making payroll. Individuals and

small teams—often teachers, parents, or community activists who have never run schools—are apt to possess some but not all of these skills and backgrounds.

Opening a new school also requires capital. Most charter schools receive federally funded start-up grants of \$10,000 to \$150,000 for one to three years. Beyond that, they cannot expect any public funds to flow until, if they're lucky, the July before they open. However, expenses can't wait. Principals need to be hired a few months before school starts. Ideally, teachers start at least a few weeks before students arrive. Then there are books and bookshelves, desks and desktop computers, and all the other supplies that need to be purchased. And all of that doesn't include the big kahuna of start-up costs: the charter school facility.

The first decade of charter schools has unearthed entrepreneurs who are willing and, in some cases, able to take on these herculean tasks. They've proven themselves able to secure the requisite start-up capital—by becoming enterprising fundraisers, by "partnering" with others who have deeper pockets, by finding creative ways to keep start-up costs down, or by going without amenities that are standard-issue in the typical district school. Even with all these challenges, approximately 2,700 charter schools will be open during the 2002-'03 school year, educating some 700,000 students.

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This supply of entrepreneurs can work if we're talking about a reform that captures just 1 percent of the nation's public school market share. But what if we're interested in creating a set of schools that educate 10 percent, 20 percent, or an even greater share of American students? Are there enough social entrepreneurs out there to do *that*?

Let's consider this question. Nationally, the growth of charter schools was dramatic in the years following the passage of the initial charter laws (see Figure 1). In 2001 and 2002, however, the number of new charter schools opening in the fall actually declined compared with the previous year.

Statutory caps on charter schools have caused some of this leveling, but not all of it. Even in jurisdictions with few restrictions on new starts, the numbers tend to decline over time. It appears that within a given geographical area lives a limited supply of entrepreneurs willing to undertake starting a charter school, a supply that peters out over time. Not to zero, but to what amounts to a drop in the bucket of public schooling in a city or state.

Enter the EMOs

"Education management organizations," or EMOs, are sometimes touted as the solution to these challenges. According to the Center for Education Reform, 19 of these companies ran 350 charter schools in 2001–'02, about 14 percent of the nation's charter schools. Since EMO-run schools are typically larger than the average charter school, EMOs actually educate an even higher percentage of charter school *students*—perhaps 25 to 30 percent.

Most EMOs today are for-profit companies, such as Edison Schools and Nobel Learning Communities, but not all. Aspire Public Schools, for example, is a nonprofit seeking to operate a large chain of public schools, at least initially in California. The nonprofit New Schools Venture Fund has established a "Charter Accelerator" initiative to invest in more nonprofit EMOs.

EMOs offer many answers to the leadership supply question:

♦ *Expertise and systems.* Starting and operating a school requires expertise across a range of fields—curriculum and instructional design, facilities management, community relations. EMOs can hire experts in these areas or develop expertise

over time and then share knowledge and capacity with their constituent schools. They can turn expertise into systems so that every school doesn't have to reinvent the wheel.

♦ *Economies of scale.* As they operate more and more schools, EMOs can use their growing buying power to obtain favorable terms for goods and services. By negotiating bulk purchase contracts with suppliers, they can reduce per-student costs.

♦ *Capital (for research and development and possibly facilities).* At least for EMOs, the prospects of long-term profitability make it possible to raise capital from venture investors or, in a smaller number of cases, like Edison Schools, the public markets. For nonprofits, philanthropic funds serve a similar purpose. This capital allows the companies to make substantial investments in R&D—such as Edison's multiyear curriculum design project, which took place largely before the company operated a single school. Some EMOs have also deployed capital to help meet the challenge of financing facilities.

♦ *Incentive and capacity to cultivate leaders.* As important as a company's expertise and systems are to its schools, the quality of the school-level leadership is still critical for the success of EMO-run schools. EMOs have strong incentives to seek out high-potential leaders and develop their capabilities over time. And because they operate multiple schools, they are in a position to develop a "farm system" and create opportunities for career advancement that would not be possible in "mom-and-pop" charters.

♦ *Incentive and capacity to sustain schools over time.* If a stand-alone charter school experiences troubles, the founders or current leaders may try strenuously to get the school back on course. But if they fail, no institution is likely to do the hard work of saving the school. The school district may be glad to see the school go; the charter authorizer may not have the capacity or the philosophical inclination to intervene. But if an EMO school begins to sink, the EMO has strong incentives to rescue it. And they may have the resources to do so, by sending in new leadership or expertise.

The Dilemma of Scale

Nonetheless, it would be a mistake to rely on EMOs alone to

sustain the charter school sector over time, for three reasons.

First, though EMOs bring substantial monetary and human resources to the table, they are not immune from financial and management challenges of their own. One of the major national EMOs, National Heritage Academies, recently reported an annual profit. But most of the scale players in the market have been for-profits only in the legal documents. Investments in capacity and marketing have swamped revenues for the typical EMO.

Second, for-profit EMOs exacerbate the built-in political challenges of creating charter schools. Under any circumstances, charter schools ignite political controversy (see Bruno Manno’s article, “Yellow Flag,” on page 16). But when they are operated by for-profit entities, they become even more of a lightning rod. Grassroots organizations like ACORN, which have supported charter schools—even started their own—have led vigorous campaigns against Edison Schools’ involvement in troubled public systems like those of Philadelphia, New York, and San Francisco.

These experiences raise questions about the political viability of a charter school movement that becomes largely composed of schools run by for-profit EMOs. Charter school policies have attracted unlikely coalitions that include free-marketeers and business leaders, but also community-based organizations, civil-rights groups, and other nontraditional allies. It seems that the support of nonconservative char-

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ter advocates depends, in part, on the fact that up to now the movement has been composed mostly of grassroots, community-based schools—not franchises of profit-seeking companies.

Finally, and perhaps most important, EMOs may not be the most likely source of innovation—and thus of the kind of dramatic gains in performance that we need to see in schools. For several reasons, the drive for scale militates against out-of-

the-box approaches. To begin with, attracting sufficient enrollment is vital for EMOs; the need to fill seats is bound to drive companies to appeal to the “median” consumer, who might balk at strange new grade configurations or pedagogical approaches.

The companies’ internal dynamics also push toward the conventional. EMOs face the substantial challenge of scaling up an educational and organizational model across multiple sites, perhaps across a wide geography. It makes sense in that context to select the familiar, the easily conveyed. The same goes for personnel. If a company needs 30 principals, the average hire is more apt to resemble the typical principal than the renegade that a stand-alone charter school might seek.

Herein lies a great dilemma facing the charter movement. To become a serious force for change in education, charter schools as a group need to achieve greater scale. The most obvious path to scale is the proliferation of chains of schools run by education management organizations. For financial and political reasons, though, looking exclusively to EMOs for scale is a poor strategy. In addition, the breakthrough innovations that are part of the great promise of charter schools may be more likely to emerge from schools that are, at least initially, single-site start-ups. But such schools are limited in number and small in size—hardly the basis for a large-scale movement.

Resolving this dilemma requires thinking about “scale” in two new ways. First, what would it take to enable more successful, stand-alone schools to “scale up”—by replicating themselves or through other means? Second, what would it take to create an environment in which much larger numbers of successful, stand-alone charter schools can form and thrive?

Scaling Proven Models

Education is notorious for single-school success stories that serve as fodder for *60 Minutes* and feature films, but are never “replicated” elsewhere. Within traditional school systems, it’s not hard to see why. The incentives to adopt good ideas from other schools are weak, and the constraints on change—from policy and culture—are strong.

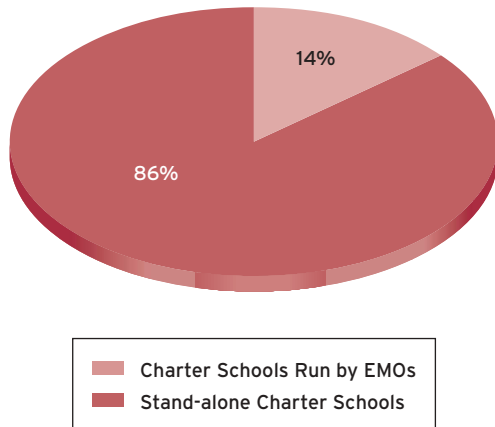
The charter school strategy has the potential to overcome this conventional failure by providing a space within which it’s easier to scale up what works via the creation of *new* schools. But most effective charter schools remain single-site successes. Charter leaders have their hands full even several years into start-up. Their “model” may actually be heavily reliant on the personal leadership of one or more founders and/or local ties and circumstances, which are difficult or impossible to “bottle.”

Still, a small number of successful charter schools are beginning to explore scaling in one way or another:

KIPP Academies. Based on the success of the two initial KIPP academies in Houston and the Bronx, KIPP decided to scale

Corporate Takeover? (Figure 2)

During the 2001-'02 school year, 19 education management organizations (EMOs) ran a combined 14 percent of the nation's charter schools. About a quarter of the charter school students are educated in EMO-run schools, due to the larger size of EMO schools compared with "mom and pop" charters.



SOURCE: Center for Education Reform

up with support from the Pisces Foundation and other philanthropists. KIPP's approach to scale relies on developing *leaders* to open and operate new public schools—both charter and district-based. The highly selective Fisher Fellows program inducts 20 to 25 aspiring school founders per year and provides them with a summer training program that includes classroom instruction at Berkeley's Haas School of Business—half focused on business matters, and half on academic and school issues. Fellows then do a four-month residency in an existing KIPP Network school. By spring, fellows go to work founding a school—with intensive assistance from KIPP national. Support continues over three years, ending with an "inspection" to assess how well the school lives up to KIPP's "five pillars"—the general principles that define a KIPP school.

By 2010, KIPP aims to have started a total of 200 schools nationally. If successful, the resulting network will be an interesting model. It won't be an EMO—each school will be an independent entity, subscribing to the five pillars, but each unique. But it will capture some of the advantages of scale, primarily in the start-up phase. At this point, KIPP does not seem focused on reaping other potential values of scale, such as the power of joint purchasing or the centralization of certain routine functions.

Minnesota New Country School/EdVisions. Minnesota New Country School in Henderson, Minnesota, is unique in two respects. First, its learning program is very unusual. Almost all of its high-school instruction takes place through personalized project-based inquiry, facilitated by teachers and relying heavily on the

computers sitting on nearly every child's desk. More traditional forms of instruction are used as well, but only as needed to ensure the mastery of basic skills. Second, the school is run by a cooperative of teachers, who make all the key decisions about the school—from the learning program to the budget to hiring and firing. With funding from the Bill and Melinda Gates Foundation, the EdVisions cooperative is now seeking to spread this dual model to 15 new secondary schools over five years. Gates funding will go both to the new sites and to EdVisions central, which will provide intensive start-up assistance. Six sites are currently involved at different stages.

High Tech High. Founded by tech industry leaders and educators in San Diego, High Tech High is undertaking various efforts to scale up its design, which offers a rigorous, personalized program focusing on math, science, and technology, and providing extensive connections to the "adult" world through internships and other means. Like KIPP and EdVisions, part of High Tech High's scale-up work involves helping others found similar schools in nine sites around the country. This initiative is also funded by the Gates Foundation. But High Tech's approach includes other elements as well. It has developed a Learning Resource Center, a detailed online source of information about the school's approach that allows anyone in the world to access and use the school's resources. It is engaged in various initiatives to prepare teachers to use its approaches

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in their own schools. And it is participating in a local effort to design 14 new high schools to be built in San Diego over the next decade.

Nevertheless, expanding beyond a single campus or city presents added challenges—challenges that so far have prevented most successful charter schools from seriously pursuing scale. What's needed is a new infrastructure that makes scale-up more feasible—a diverse range of service providers capable of helping schools with a whole array of needs. If such a system

existed, it would be easier for successful schools to scale up, just as it would be easier for brand-new stand-alone schools to start.

Service Providers

Presently, starting a new school from scratch is just too difficult and painful, even for people who are capable of pulling it off. Much of the work goes into activities such as transportation, food service, accounting, regulatory compliance, zoning battles, mortgages, and the like, activities that are *not* where education needs innovative, fresh thinking. It seems likely that there is a large reservoir of entrepreneurial educators and non-educators who would be willing to engage in school start-up—if it were not such a nightmare.

Part of the answer certainly lies in the policy arena—giving charter schools equitable access to funding (including cap-

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ital funds), cutting unnecessary regulations, ensuring that institutions other than local school boards can issue charters in every jurisdiction.

But just as important are internal or “supply side” solutions. Stand-alone charter schools need access to the same high-quality, pooled expertise that the best school systems and EMOs provide to their schools. They need a set of institutions that can shoulder the burdens of school start-up and management, allowing entrepreneurs to focus on building an excellent educational program. However, to retain their independence, stand-alone schools need to come to these service providers as voluntary, paying customers—not as units controlled by a larger system.

The creative challenge, then, is to imagine a “system” of providers that can deliver this kind of service. Within such a system three attributes, besides quality, seem most important: scope, intensity, and diversity.

Scope. Since operating a school is a complex undertaking, the service infrastructure needs to cover a wide range of issues on which charter school operators may need help. In many service areas, an industry of providers already exists—because school districts and private schools already demand the service. Prime examples include textbook and software publishers, information-management systems, developers of curricula and “comprehensive school reform models,” and transportation providers. In other areas, like accounting, payroll, legal services, and facilities development and financing, a host of general-purpose providers already serve nonprofits and small businesses. Many of these companies see great potential in the charter school market and have already begun offering their products and services to charter school customers.

However, even where a sector of service providers already exists, its offerings may not be well tailored to the charter context. Charter schools tend to be small, to have limited budgets, and to face uncertain futures due to the vicissitudes of the market and the threat of nonrenewal or revocation of their charters. As a result, conventional providers may find charter schools unattractive in the end. Facilities financing stands out as one illustration, but the same holds true for many curriculum and “whole school reform” providers. While learning programs like Core Knowledge and Expeditionary Learning/Outward Bound have seen real opportunities in the charter sector, others have shied away.

New institutions will need to arise—both to meet needs that are unique to charter schools and to design service packages in older service areas that make sense for charter schools.

Intensity. Every state with charter schools has at least one “technical assistance center” for charter schools, and many have more. These organizations tend to provide assistance to charter schools on all the issues they may face. Charter schools call them with every question imaginable. They publish handbooks, newsletters, and websites that seek to address charter schools’ concerns, from soup to nuts. One, the California Charter School Development Center, runs “boot camps” for new charter school leaders, running them through a litany of topics.

However, helpful as they are, technical-assistance organizations often are not able to provide *intensive* services to many schools. With their limited resources and broad mandate to serve all schools, it’s not possible for most of them to roll up their sleeves day in and day out or to provide full services, like accounting or special education, to charter schools.

Several answers to the need for intense start-up help are emerging in the marketplace. One is the charter school “incubator,” exemplified by the Education Resource Center (ERC) in Dayton, Ohio. ERC gets more involved in schools’ start-up efforts than most providers of technical assistance, serving as temporary adjunct staff. It is also more selective. Like a venture-capital firm, it sizes up a client’s prospects diligently before pro-

viding help. Incubators have succeeded in the small-business world, but charter incubators are too new to show results. Another avenue is a growing number of fee-for-service start-up providers, such as the Minnesota-based nonprofit School-Start. Charter entrepreneurs contract with these organizations to provide all-purpose help in the start-up phase—help in preparing the charter application, writing the budget, finding a facility, selecting an appropriate learning program, and hiring teachers. The Education Performance Network (EPN), the professional-services affiliate of New American Schools, is taking a different tack by creating an “education management support organization.” EPN offers clients a menu of services including data management, accountability and evaluation, program design, and charter start-up and implementation. A key aim of EPN is to help build charter schools’ ability to manage themselves over time.

A third trend is the emergence of leadership development programs for would-be charter entrepreneurs. Examples include the Fisher Fellowship program, New Leaders for New Schools, and the Massachusetts Charter School Resource Center’s Leadership Institute. These organizations seek to provide in-depth training to potential school leaders, including both classroom and on-the-job components. Some follow up the learning with hands-on start-up assistance for graduates.

Finally, several national organizations have begun to help their local affiliates start charter schools. The YMCA is one. Another is the National Council of La Raza, a leading Hispanic advocacy and development organization. La Raza has put together the most intensive package of services—including hands-on consulting for community-based groups starting charter schools, joint professional development opportunities, and the creation of national partnerships that can be useful to all of the network’s schools—which La Raza hopes will number 50 by 2005.

Diversity. Third, schools need access to a variety of providers so they can shop around for the best quality, fit, and prices. In contrast to district-based service systems, in which the central office or its chosen contractors provide all services to schools, the essence of the charter school service system must be diversity and choice.

On this front, early trends are promising. Across the different domains of service, many different types of providers are emerging. Besides the for-profit and nonprofit providers already mentioned, charter schools in some places have formed cooperatives and associations to take advantage of economies of scale. Special education has been an especially fertile area for charter cooperatives, with models emerging in the District of Columbia, Texas, Minnesota, and Indianapolis. For example, the D.C. Public Charter School Cooperative, with 21 members, aims to provide information to members about the complexities of special education, hire and make available specialized staff



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that no school would want to employ alone, and develop a Medicaid billing system to increase reimbursements for special-education services.

Developing the range of service providers necessary to expand the charter movement will require investment on the part of firms, philanthropists, and governments at the local, state, and national level. If this comes to pass, we can imagine a charter school sector characterized by both scale *and* a diversity of entrepreneurial schools, a future in which grassroots charter schools remain the heart of the movement, but in a sustainable fashion.

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