How to Recruit High-Performing Charter Management Organizations to a New Region:

Results from the 2015 CMO Survey

National Alliance for Public Charter Schools

ExcelinEd

ampersand education

Introduction

Charter Management Organizations (CMOs) are nonprofit entities that manage at least two charter schools. They play an important role in increasing the number of high-quality charter public schools by enabling the replication and expansion of models that work, creating economies of scale, encouraging collaboration, and building support structures for schools.[1]

Traditionally, each CMO focused on a single city. However, in recent years, more CMOs have expanded to serve students across multiple cities and states. Even with this expansion, high-performing CMOs[2] are still concentrated in a relatively small number of states and cities. Many, but not all, CMOs have prioritized opening schools in traditionally underserved communities that serve predominantly low-income children of color.

Policymakers across the country, such as governors, state legislators, state board of education members, state education chiefs, and even local leaders (mayors, school board members, etc.), are working more deliberately and aggressively to attract the country's best CMOs to their cities and states. These leaders understand that successful CMOs can develop and grow schools designed to meet the needs of underserved children and families.

But not all cities are the same, and neither are all CMOs. For a CMO to succeed, it must determine what it needs and consider whether potential expansion regions meet those needs. This report is designed to help policymakers and community leaders around the country understand CMO preferences for expansion.

Building on the results of a survey of over 20 high-performing CMOs conducted in fall 2015 by the National Alliance for Public Charter Schools (National Alliance) and The Foundation for Excellence in Education (ExcelinEd), this paper explains CMO preferences related to city and state demographics and policies. The data provide a rich picture of the factors that CMOs assess when considering whether and where to expand. Issues of interest include the following:

- The **process and timing** for CMO growth
- The **autonomies and freedoms** CMOs view as "must have" versus "nice to have" to operate effectively in a new geography
- The level of **funding and facilities support** CMOs need to operate effectively
- The **human capital policies and supports** CMOs need to open new schools
- The **demographic characteristics of a new geography** that CMOs seek
- The preferences of CMOs around **charter authorization and governance**

Based on survey results, the paper suggests three fundamental *CMO types*:

- **Established CMOs** seek cities and regions with particular characteristics (the specifics vary somewhat by operator) that allow CMOs to attain a significant enrollment share over time. These CMOs are typically already serving >5,000 students or are serving students within multiple regions.
- **Entrepreneurial CMOs** are willing to open a few schools at a time in a given city or region and tend to be more flexible about the specific conditions they seek within a given market. These CMOs may be thinking about multistate expansion for the first time.
- **Niche CMOs** (e.g., "Great Books," science and math focus, civics focus) look for the specific factors that enable their models' success over time. The market characteristics these CMOs seek may vary from the priorities of Established or Entrepreneurial CMOs. These CMOs may fit into one of those categories as well, but they seek specific market characteristics as a first priority.

The paper concludes by introducing a simple set of *market types*, which are city or regional charter markets grouped by characteristics of student need, policy, funding, and talent infrastructure, as well as political climate. Together, these CMO and market types will enable local and state leaders to begin to assess their markets and build relationships with the CMOs that are best suited to their communities' needs and opportunities.

Market types include the following:

- **Emerging Market:** These are high-need markets with an undeveloped or underdeveloped charter market, often with significant challenges regarding regulatory environment, low per-pupil funding, weak talent ecosystem, or density of high-need students.
- **Risk/Reward Market:** These markets tend to be large enough and dense enough to support CMO growth and have some combination of very high need or demand and resources that are at least adequate. The policy climate is often largely acceptable, with a few barriers.
- **Mature Market:** These are large, high-density markets with strong resource availability, favorable regulatory environments, and high-potential talent/education ecosystems. These markets sometimes face limitations on parent demand over time.

CMO Emergence and Evolution

Minnesota passed the nation's first charter school law 25 years ago, aiming to empower educators, increase school-level autonomy and accountability, and provide families with more public school choices. Since that law passed in 1991, 42 other states and Washington, D.C., have followed Minnesota's lead and enacted charter laws. Over time, these laws and the school systems they have influenced have evolved in different ways. For example, in some places, chartering has been used to create a new school option; in other locations, chartering has created an entire new sector of public education that has the potential to become the predominant system of schools.

In the early days, each charter school was an independent entity focused on the needs of its particular student population. It didn't take long before these schools started to evolve to meet the needs of more students. In 1994, in a single district classroom in Houston, the Knowledge Is Power Program (KIPP) founders Mike Feinberg and Dave Levin set out to help a classroom of 50 fifth graders. They succeeded, but they soon wondered if they could serve 500 or 5,000 kids.

In 1995, Feinberg and Levin opened two additional KIPP schools, and in 2000, the KIPP Foundation was established to recruit and train outstanding school leaders to open and run new KIPP schools across the nation. During this same time period, Aspire Public Schools, based in California, created the first network of charter schools managed by a central organization, opening two schools—in Stockon and Modesto, California—in 1999 and quickly expanding to communities throughout California.

And so the vocabulary of the charter school movement started to shift. Policymakers, philanthropists, and charter leaders began to focus on networks of charter schools (soon known as charter management organizations or CMOs) as a way to start and grow new schools that could serve increasing numbers high-need kids. While charter policy continued to enable small groups of educators and social entrepreneurs to develop innovative school programs, it evolved to facilitate the replication of successful charters. This new policy approach encouraged replicating quality schools, resource efficiency, and economies of scale, and increasing collaboration among schools.

Now, 22 years later, dozens of CMOs serve hundreds of thousands of students nationwide. CMOs account for 22 percent of all charter schools opened over the past five years.[3] Some operate multiple schools in a single city, some operate in wider regional markets, and others are willing to operate schools anywhere in the country, given certain criteria they seek in new markets. Some of these networks focus on serving specific student populations and some focus on a particular instructional model. Many were founded by educator entrepreneurs compelled by the intersection of opportunity, ingenuity, and a deeply held mission to change public education for the better, for all students.

Over the past decade or so, several external influences have spurred the growth of these high-performing CMOs. Philanthropy has increasingly focused on supporting schools or networks that can serve more students while maintaining strong academic outcomes. NewSchools Venture Fund, Charter Schools Growth Fund, the Walton Family Foundation, and the federal Charter Schools Program Grants for the Replication and Expansion of High-Quality Charter Schools all prioritize the ability to replicate successful programs in disadvantaged communities. The rise of citywide reforms that utilize CMO growth (including mayoral control, achievement school districts, and school conversion strategies), coupled with political shifts at the state, local, and national levels, have increased the opportunity and demand for CMOs.

These external catalysts have empowered networks to consider expanding. But they've also compelled CMOs to become more discriminating about the conditions in which they might operate. Network leaders have developed an understanding of what it takes to build and grow high-performing, high-poverty schools; this includes strong views on real-estate acquisition, per-pupil operational funding, teacher certification rules, and much more. Our survey results demonstrate that CMO leaders are now sophisticated analysts of K-12 policies. *States and cities interested in recruiting CMOs must appreciate this fact like never before.*

Understanding Conditions for CMO Effectiveness: 2015 CMO Expansion Survey

Many policymakers are eager to create policy environments that optimize their state's ability to attract and then support highly effective CMOs. In turn, as CMOs of all kinds continue to evolve, they are exploring which locations will be the best homes for their expansion.

In response to these needs, the National Alliance and ExcelinEd probed the thinking of senior leaders from a sample of top-performing CMOs. This report synthesizes findings regarding the factors that CMOs assess when considering whether to expand to a new state or district, and highlights key similarities and differences among a range of CMO types. Specifically, the survey addressed the following:

- The **process and timing** for CMO growth
- The **autonomies and freedoms** CMOs view as "must have" versus "nice to have" to operate effectively in a new geography
- The level of **funding and facilities support** CMOs need to operate effectively
- The **human capital policies and supports** CMOs need to open new schools
- The **demographic characteristics of a new geography** that CMOs seek
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Methodology

The National Alliance and ExcelinEd designed and deployed a 43-item web-based survey and conducted a number of in-depth telephone interviews with respondents, which included senior leaders from over 20 select CMOs.[4] The approach was designed to capture thinking that, though not necessarily representative of all CMOs, would provide insights into the preferences of high-performing CMOs and potential guideposts for CMOs actively considering future growth strategies. To complement the CMOs' perspectives, we interviewed selected city- and region-level policymakers to understand the types of CMOs they seek to recruit to their regions and the questions they have for CMOs.

Respondent CMOs have diverse enrollment and funding levels and operate schools in all regions of the country. The Southern region had the largest proportion (37 percent) of respondents, with the Midwest region having the lowest percentage of respondents. The CMOs surveyed were of significant scale, serving almost 12,000 students each on average, with 57 percent serving more than 5,000 students. Ten of 19 respondents operated in at least two states, and nearly 60 percent operated 10 or more school campuses.

CMO Plans for Growth

According to a recent analysis by Bellwether Education Partners, high-performing CMOs will serve more than 650,000 students by 2020.[5] Survey results reinforce the projections that CMOs will continue to grow at a rapid pace over the next five to 10 years. All CMO survey respondents plan to open new schools. Nearly half of CMOs surveyed have existing plans to expand to a new state, and nearly 80 percent are willing to expand to a new state within the next 10 years.

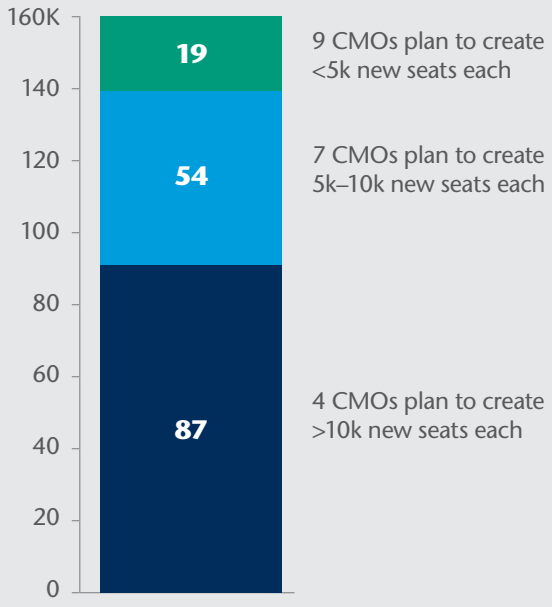
The largest CMOs surveyed (those with more than 5,000 students and operating 10 or more schools) were more comfortable with moderate or rapid growth, less flexible on their requirements for growth, and more willing to expand. These CMOs know have a proven track record and are excited about growth, but only under the best of circumstances. The highest-quality CMOs in the country have earned the right to be selective about locations and growth plans. Survey results reflect that they are exercising that choice.

Survey respondents plan to create nearly 160,000 new charter seats in the coming years, in addition to the nearly 225,000 seats they currently operate. Eleven of these CMOs plan to create at least 5,000 new seats each. Most of these CMOs plan to grow at a moderate pace (two to five new schools per year), with three of the larger CMOs planning for rapid growth of more than five new schools annually.

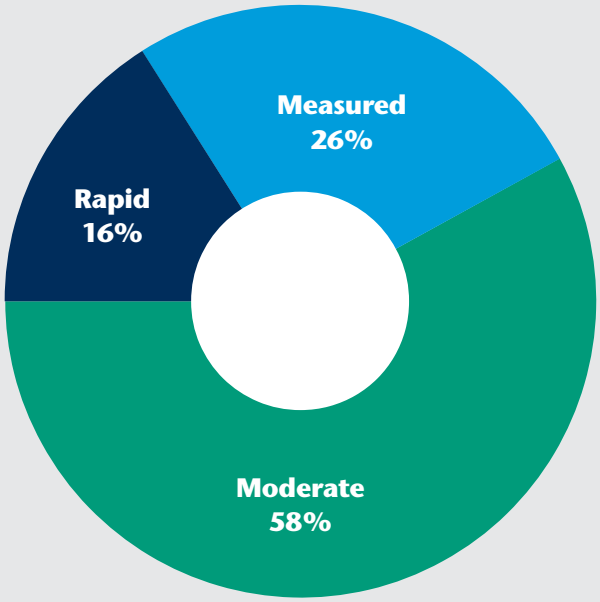
Respondents also have strong perspectives on how many grades they are willing to open at a time when starting a new school. Nearly 90 percent of these CMOs are willing to open new schools at a slow (grade by grade) or accelerated (multiple grades per year) pace; only 41 percent are willing to engage in the turnaround of an existing school. Of those networks willing to attempt a turnaround of an existing school, *none* is willing to attempt a turnaround of an existing public school without the ability to replace the existing staff with a new staff. CMOs believe that they have the best chance of success with families if they "start fresh."

Figure 1: **Amount and Pace of CMO Growth**

Total planned new seats (by # of seats by CMO) *(rounded to nearest thousand)*



At what pace does your organization plan to grow?



Measured: ≤1 new school per year
Moderate: 2–5 new schools per year
Rapid: >5 new schools per year

This inflexibility is not the result of stubbornness but of wisdom gained through experience. Over the past five to seven years, CMOs embarking on growth plans have experienced the bumps and bruises of being the first operators through the door in a new market. Fortunately, they have emerged as savvier and more thoughtful organizations. They learned lessons and made fewer mistakes with each new region opened.

YES Prep's decision to not open in Memphis, Rocketship Education's decision to slow growth and not open in Indianapolis and Texas, and KIPP's decision to close single-site schools in Buffalo, New York, Asheville, North Carolina, and Gary, Indiana, were all decisions made to best serve kids. But they are also clear examples of the influence of unexpected barriers on both CMOs and the communities they hope to serve.

In each circumstance, different factors influenced the decision to not expand or to close. As a result, however, each CMO now approaches growth—and the policy environment of each potential new market—with a more discerning eye. Specifically, networks that have pulled back on growth report a few common lessons learned:

- **Determine key nonnegotiables regarding governance and autonomy:** Governance and autonomy are critical to the CMO structure. It can be challenging, for example, when a new location requires the creation of new governing board(s).
- **Set clear financial requirements for expansion:** CMOs must begin with a clear understanding of the minimum funding and facilities requirements for expansion (both recurring funding and one-time funding for startup or expansion). The network should understand all the funding sources in all markets being considered for growth; one financial miscalculation for a single school or region can impact every school in the network.
- **Engage community stakeholders early and often:** No two communities are the same. These CMOs learned that networks must deeply and meaningfully engage a new community to understand its needs and concerns, build partnerships from the ground up, and be prepared to repeatedly explain the work of the organization. This often requires a long window of time to build relationships and establish credibility. Otherwise, many communities view national operators as outsiders and a threat to the local education ecosystem.

The next section of this report examines in greater detail the factors that influence CMO decisions to expand.

Autonomies and Freedoms for Charter Schools that Influence CMO Decisions to Expand

In a highly regulated environment such as education, policy factors influence an organization's ability to operate effectively. In addition to running large, complex organizations, multistate CMOs must wrestle with the challenge of navigating rules and regulations that vary dramatically from state to state. ***Key charter autonomies around budget, curriculum, personnel, and school culture are seen as nonnegotiable by all CMOs surveyed.***

CMOs reported that they need to have control over these issues if they are moving into a new geography. Over half of CMOs surveyed also require the freedom to determine staffing models, compensation and benefits, formative assessments, structure of the school day and year, and board size and composition. CMOs believe they know what it takes to run a successful network of schools—including these key operational features—and they will not open schools unless they are guaranteed this autonomy. Temporary waivers of state requirements are less enticing. One leader noted that such "waivers of state requirements present a long-term risk and are less desirable than actual freedoms."

Less important to CMOs are freedoms such as the ability to opt out of state or local retirement systems and instructional systems. Very few respondents (only 16 percent) indicated that it was essential that the network be able to define its own geographic enrollment zone.

Most CMOs surveyed provide transportation in at least one of their current regions and are open to expanding to new regions that require transportation. Six of 18 CMOs surveyed that are considering expansion to new geographies would not consider a region where transportation was required but not funded.

Funding and Facilities Support Sought by CMOs

CMOs report that they need adequate ongoing per-pupil operating funds as well as startup capital to get new schools off the ground. In the words of one CMO leader, "We want 100 percent adequate and equitable per-pupil funding. If the per-pupil is too low, there's no magic dust that [my CMO] can sprinkle to make it work." Current public recurring per-pupil funding levels ranged widely across the sample, from $5,000 to $20,000 per student, with a "midpoint average" close to the national average funding level of $10,000 per student.[6] ***On average, the CMOs surveyed reported needing at least $10,200 in per-pupil public funding to operate effectively.***

However, this single number masks a great deal of nuance in CMO funding needs. Said one CMO leader, "It's not as simple as per-pupil or facility assistance. … We want to make sure our overall financial equation works." Different operating models cost different amounts, and CMOs must also take scale into account in a given region. For example, a CMO with more schools in a region may be able to subsist on lower per-pupil funding because the fixed regional office costs are spread over more schools or students. As one CMO leader pointed out, "Market specifics such as special-needs student demographics, transportation costs, and required student-to-teacher ratios can have a major impact."

Interviews also revealed how important it is to CMOs to be able to accurately predict the actual amount of per-pupil funding they will receive: "Per-pupil funding can be very hard to nail down—some authorizers can't reliably forecast it. … We sometimes find it helpful in a new region to find someone who keeps tabs on funding numbers in a somewhat obsessive or esoteric way—[such as] local bloggers with spreadsheets. If we can't do that, we talk with other charters about what they're ***actually*** receiving in practice."

CMOs also stressed the importance of startup funds in their expansion decisions—all respondents rated these funds as "must have" or "nice to have." While most CMO models are sustainable on public funding alone once at full enrollment, interview participants cited that their networks run deficits of up to $1.5 million annually as campuses expand to full enrollment. Similarly, most CMOs will staff a regional support office before opening their first schools; the cost of this regional office is also generally supported through one-time grant funding until a CMO's enrollment is sufficient to pay for these shared support services on regional public funding alone. While these startup funds are often secured from private philanthropists, federal and state charter startup grants can also fill this role and make states more compelling options for CMO expansion.

Facilities are a crucial component of a CMO's funding equation. As one interviewee pointed out, "There almost isn't enough philanthropy to think about substantial scale in a state if there isn't a way to access existing school facilities." Another CMO leader explained ideal facilities this way: "We need something close to kids, in reasonable condition, at a reasonable price."

State policies around facilities vary widely, and CMO preferences regarding facilities are not uniform. Most respondents and interviewees cited facilities as a major pain point when expanding to new regions, but there was little consensus among respondents on how to address the issue. CMO opinions on the topic seem largely shaped by current or past negative experiences with facilities, whether stemming from their unsustainable cost, poor condition, or undesirable location.

Human Capital Policies and Supports Needed to Enable CMO Success

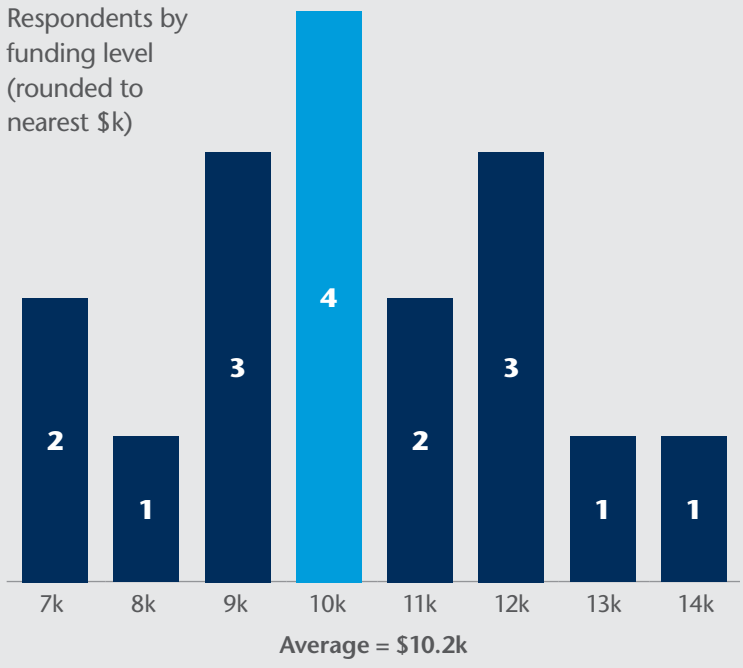
Even the highest-performing CMOs cannot succeed without high-quality teachers and leaders; those surveyed strongly reinforced this point. Human capital is hugely important to CMOs; all CMOs reported that they assess the human capital pipeline within a given region before making the decision to expand. ***Three-quarters of CMOs surveyed saw a supply of high-quality teachers and leaders as essential to their expansion into a new city or region. Interviews revealed that availability of high-quality teachers and leaders is perhaps the key constraint for CMOs looking to expand into new regions.***

However, specific definitions of "high quality" vary among CMO respondents. What do CMOs see as reliable pipelines for high-quality teachers and leaders? Teach for America (TFA) alumni are at the top of the list. One CMO leader pointed out that the presence of TFA in a market—as well as the number of TFA alumni—is a good proxy for the teacher pipeline in a region. That said, some operators specifically noted in interviews that their models require teacher pipelines that differ from TFA because of a focus on nontraditional pedagogical approaches. New teachers trained in-house are the third key source of human capital for CMOs. CMOs also rank their own teachers as a preferred source of talent in a new region, which is enabled by policies that allow charter teachers to transfer licensure to a new state.

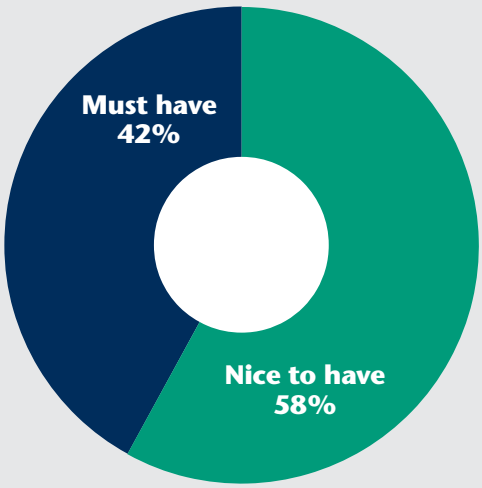
Some CMO leaders prioritize ***leader*** talent above ***teacher*** talent. One CMO leader reported, "We won't consider going into a new region until at least two strong leaders (a regional executive director and a founding school leader) are

Figure 2: **CMO Funding Requirements for Expansion**

What is the per-pupil public funding your network requires to operate effectively?



How important is the availability of startup funds to your expansion plans?



identified." Finally, the survey data reflect that CMOs do not want their pool of potential school leaders reduced by rigid certification requirements.

Although collective-bargaining requirements may not always three of the CMOs surveyed would consider opening schools in a region that requires teachers to participate in state or local unions. More respondents were willing to consider regions in which charter teachers were actively organizing.

Characteristics of Potential Expansion Regions that Influence CMO Growth Decisions

A number of local conditions and characteristics also affect CMO behavior. ***Most important, CMOs seek (1) the presence of local philanthropic funds needed to support school startup costs and (2) clear indications that there is need for high-quality schools as demonstrated by inadequate educational options within a given community.***

Enrollment share matters to some CMOs. One CMO leader reported, "We don't necessarily need to be the largest school system in a region, but we want to be able to educate enough students (10-20 percent) to make a significant impact on a city or region." Another leader said that, in general, "[w]e probably wouldn't open in a new region with [a plan to have] fewer than six schools or less than 5 percent of the school-aged population." Other CMOs mentioned that their network typically opens a relatively small number of schools in each city or region, so the depth and breadth of student need and parent demand is less important. The potential to join a cadre of other high-performing CMOs entering a new region can also be very attractive to a CMO considering expansion. One survey respondent commented that for a new region to be attractive, "there needs to be investments in the region by like-minded organizations that will reasonably ensure a strengthening of the human-capital pipeline over time."

While all charters take into account support from state political leaders, community leaders, and business leaders when considering expansion decisions, less than half of the CMOs surveyed viewed such support as a "must have."

Figure 3: **Top Human Capital Pipelines for CMOs**

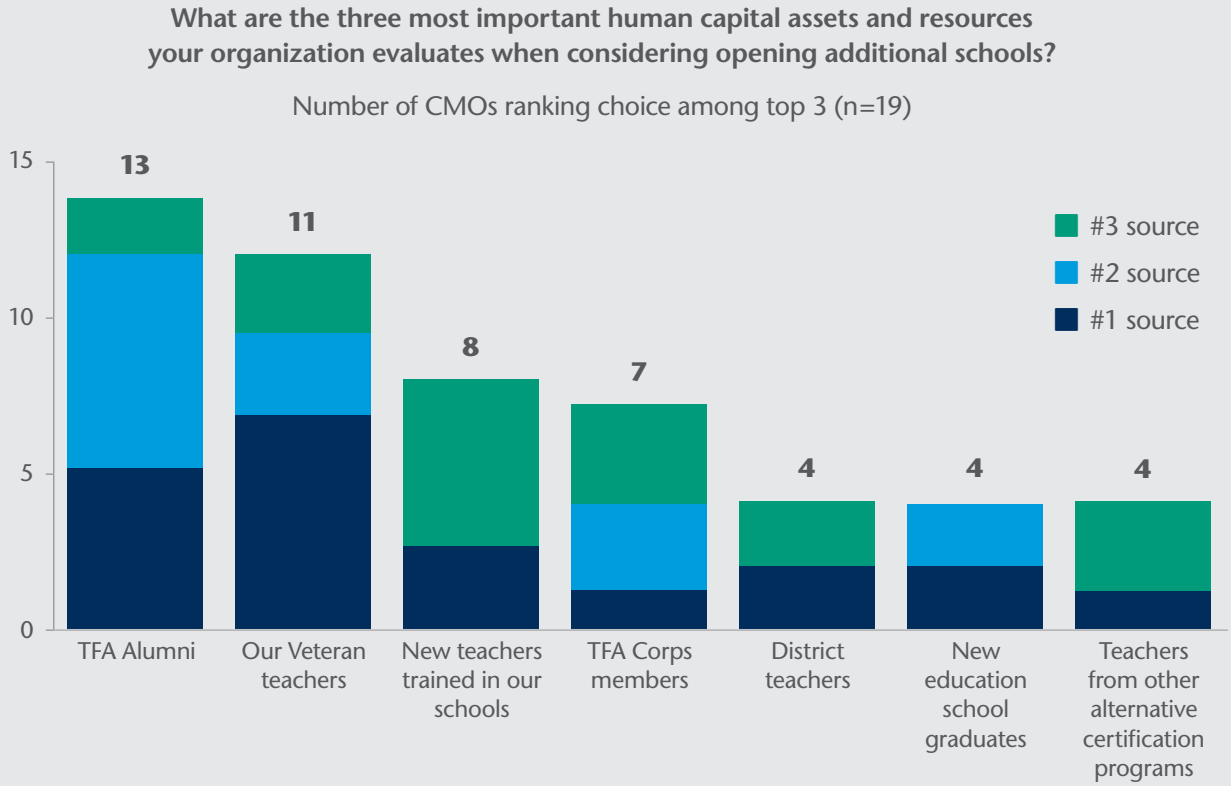
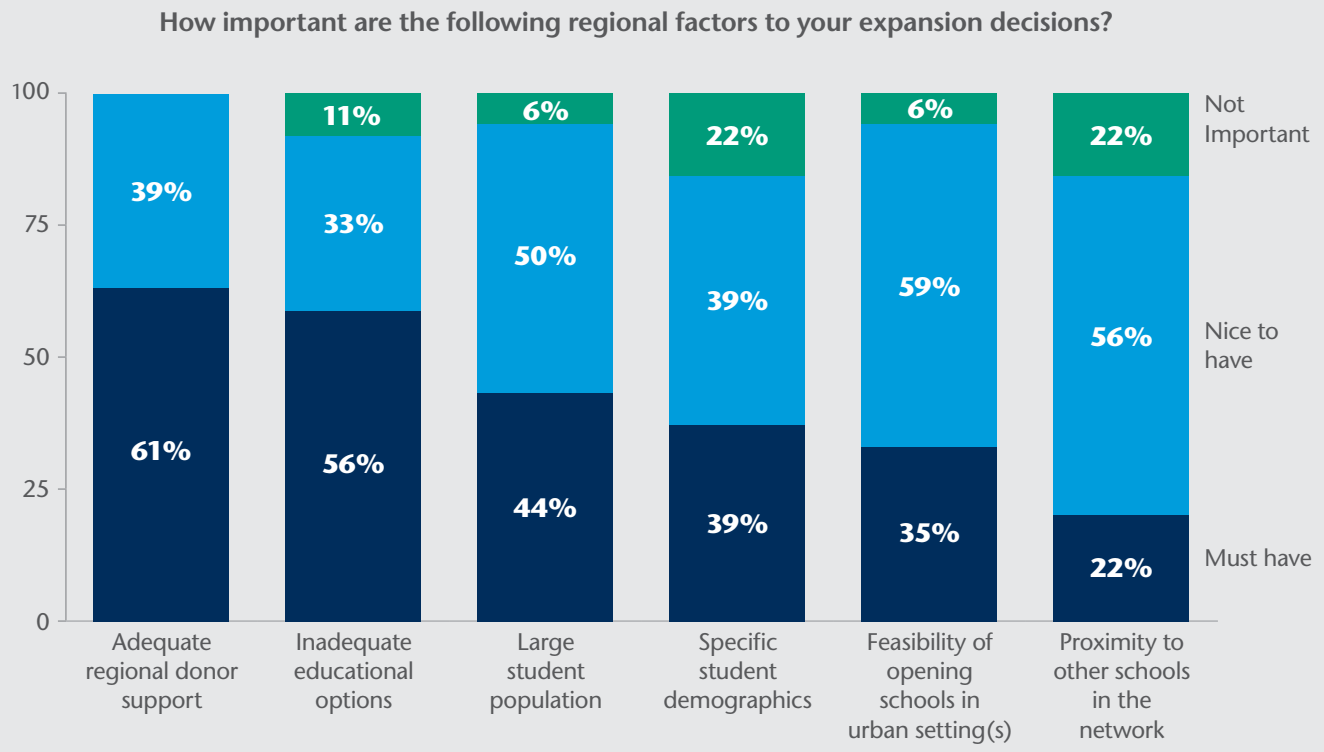


Figure 4: **Importance of Regional Factors in CMO Expansion Decisions**



One CMO leader pointed out that the stability of the local political environment matters as much as the current level of support: "It's disconcerting how fast the [political] pendulum is swinging these days—from worst to first and then back again. When I get pitches from elected people, I never totally believe what they're selling. The swings are a lot more wild and less predictable than we saw five to 10 years ago. … It's less stable for a charter operator."

CMOs noted the importance of multiple funders committed to high-quality CMO growth within a given region. However, as detailed in the funding section, CMOs define "adequate" differently depending on a number of factors, including available public funding and number of years needed to grow a network school to scale.

Charter Authorization and Governance Factors that Influence CMO Decisionmaking

CMOs seek a clear, efficient, and fair process for authorization and governance. If a CMO plans to open multiple schools in a new region, it wants its authorizer to give assurances—or at least clarity—about a path toward expansion. In the words of one CMO leader, "We don't want local politics to get in the way of obtaining our charters." To make expansion worth the effort in terms of both impact and financial sustainability, CMOs generally seek regions in which they can attain authorization to open multiple schools.

Legislative caps on the number of schools or seats in a state influence CMO expansion decisions but are largely not a concern so long as sufficient room exists for them to open this critical mass of schools in a new state or region. Most CMOs have a preference about authorizer options, seeking regions with either multiple authorizers or an independent (nondistrict) authorizer. While this sentiment is not universal—one respondent actually preferred a district authorizer—most respondents indicated that a fair, flexible authorizing process was an important consideration in their expansion decisions.

When creating their governance structure in a new region, CMOs prefer to have the freedom to organize their boards

of directors in whatever way makes most sense to them. In most cases, this involves having a single regional (or even national) board rather than individual boards for each school or campus. CMO leaders reported that a centralized board structure makes it easier for CMOs to focus on their core work of educating children rather than trying to recruit and appease a plethora of different boards. CMOs avoid board composition requirements (e.g., a requirement to have all board members live within a certain geographic area). Such requirements, while usually well intentioned, often create an unwieldy governance structure for CMOs and may crowd out the members most able to hold the school accountable for executing on its mission.

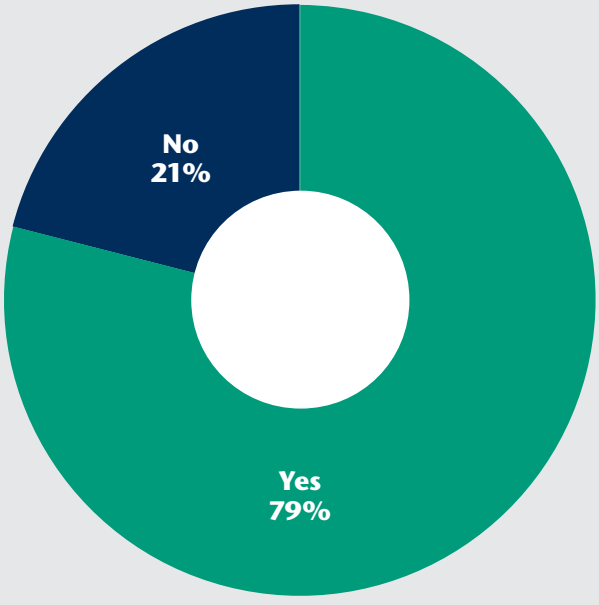
"CMO Types" Illustrated from the Survey Findings

In total, CMO survey findings give a rich picture of factors that CMOs in aggregate assess when considering options for expansion to serve more students and families. Because survey results were anonymous, this report does not attempt to categorize every survey respondent into a specific CMO type. However, the survey and interview data reflect three broad types of CMOs in the sample:

- **Established CMOs** seek cities and regions with carefully defined, specific characteristics (which vary by operator). This allows CMOs to "go deep" to attain a significant enrollment share over time. These CMOs typically already serve >5,000 students or serve students within multiple regions. CMOs that fall into this category report being more comfortable with moderate or rapid growth (opening at least two to five schools per year), indicate less flexibility on requirements for growth, and have existing plans to expand to one or more new states over the next five to 10 years. In many cases, CMOs that resemble this type have already expanded beyond their original state or region, and the specific factors they require for growth are informed by lessons learned over time. Examples of CMOs that may fit into this category include Aspire Public Schools and IDEA Public Schools.
- **Entrepreneurial CMOs** are willing to open a few schools at a time in a given city or region and tend to be more flexible about the specific conditions required within a given market over time. They are less likely to require specific thresholds for recurring per-pupil funding, are open to a range of authorizer and governance configurations, and are open to communities with

Figure 5: CMO Preferences Regarding Authorization

Does your organization have a preference on the type of authorizer options available?



Most, but not all. Comments indicated a preference for nondistrict authorizers.

"We **prefer independent, non-school district authorizers** committed to growth of high-quality operators."

"**Multiple authorizing paths** are needed to mitigate the risk of a chartering block by one antagonistic agency."

"Our district is the only authorizer available to us and we are beholden to their whims. **Multiple high-quality authorizers would be preferred.**"

less-dense student need. These CMOs may be thinking about multistate expansion for the first time, or their prior expansion approach included opening one to three schools within a given region as a starting point. Examples of CMOs that may fit into this category include RePublic Schools and Scholar Academies.

- **Niche CMOs** have a particular focus on growing a specific model (e.g., "Great Books," science and math focus, civics focus) and look for the specific factors that enable their success over time in growing that model. The market characteristics these CMOs seek may differ from the priorities expressed among the majority or survey respondents. For example, CMOs that fit into this type may seek human capital pipelines with markedly different skill sets or experiences than Established or Entrepreneurial CMOs. This category is not mutually exclusive from the other two CMO types, but these CMOs seek specific market characteristics to enable their model as a first priority. Examples of CMOs that may fit into this category include Great Hearts and BASIS.

Policymakers and community leaders alike can use both the aggregate survey results and the specific CMO types to inform their actions and choices to recruit high-performing CMOs to their markets. ***Given the types described above, some cities and regions do not make sense for some CMOs, just as some CMOs do not serve the interests of some cities.*** The next section of the paper identifies several considerations for policymakers and community leaders so they can tailor their action and outreach accordingly.

Implications of Survey Results for Policymakers

As the findings reflect, there is an emerging group of mature, savvy decisionmakers among all three CMO types who are determined to make thoughtful choices about expansion into new regions, maximizing the probability that they will successfully serve their target student population.

In parallel, policymakers and community leaders around the country are actively pursuing opportunities to expand high-quality charter sectors within their jurisdictions. Interviews reflected that policymakers and community leaders seek more information about the specific ***actions*** required to begin or accelerate the process of attracting high-performing CMOs to a given community or region.

To begin to answer the question about specific ***actions required,*** this paper offers recommendations for state and local policymakers that may help them put their best foot forward while remaining true to their particular assets and needs.

Understand the strengths and challenges of the market. Determine and emphasize the CMO-friendly aspects of the state, region, or local setting. The survey results summarized above highlight six key factors to consider when assessing a market's strengths and weaknesses:

1. **Size and density:** Is there a critical mass of students within a relatively concentrated geographical area that matches the target demographics and population of the CMO that the local or state leaders seek to attract?
2. **Need:** Is there a demonstrated need for additional high-quality educational options to effectively serve families?
3. **Available resources:** What resources can CMOs access in order to start up and run schools, including total publicly recurring revenue (per-pupil funding), public facilities assistance (in the form of buildings or financial support), public transportation assistance, publicly funded startup grants, or philanthropic support? How does this vary based on the demographics of students served in schools?
4. **Regulatory, authorizing, and governance structures:** What options for charter authorization are available (independent authorizer, multiple authorizers)? Are there limitations on the presence or expansion of charter schools within the state or locality? What requirements must charter schools meet in their governance structure?
5. **Autonomies/freedoms provided to CMOs/charters:** What autonomies are provided to charter schools regarding budget, curriculum, personnel and staffing, compensation and benefits, school day and school year structure, school culture, board size and composition, and other key elements of the school model?
6. **Human capital/surrounding education ecosystem:** How vibrant is the human capital and surrounding education ecosystem (e.g., TFA)? Are policies in place to enable teachers to transfer easily from one state to another? Can CMOs train and support new teachers in-house or explore creative alternative certification paths?

Policymakers should develop a perspective on the benefits that the region or state can offer to CMOs across each of these factors and contemplate areas where negotiation and change are feasible over time.

Assess the needs of the community. At what grade span is the need (pre-K, elementary, middle, high)? Does the community seek new charter schools or charter school operators willing to "restart" existing charter schools? Does the state or locality want to attract personalized learning or blended learning models? What about "college for all"/"no excuses" models for high-need students? Academic acceleration/high-rigor schools?

The survey reveals that CMOs are not monolithic in their perspectives and very few policy or nonpolicy factors are nonnegotiables for every type of CMO. Given that, there is tremendous opportunity if both policymakers/supporters and CMOs are willing to play the long game in order to find the right match.

Craft a strategy. Each state, city, or district comes to the table with its own on-the-ground opportunities and challenges. State and local leaders can lead with the assets they bring to the table if they understand the specific needs of each CMO. Conversely, they also have the opportunity to transparently address specific policy barriers when possible. To begin this process, here is a simple heuristic to help states and cities complete a quick self-assessment:

- **Emerging Market:** These markets are typically high need, but they have an undeveloped or underdeveloped charter market, with some significant challenges. The market may be smaller or the need may be more geographically diffuse. Alternatively, large, dense urban markets in this category may have a poor regulatory environment, low per-pupil funding, or weak talent ecosystem.

  States and cities that fall into this archetype must think about CMO recruitment as a narrowly targeted long game. CMO recruitment is a three- to five-year strategy that includes cultivating political leaders who will prioritize developing the opportunity over the long term (four to eight years, not just a one-year electoral priority). These markets should consider policy and practice changes that will increase incentives in the market while mitigating CMO risk. State and local champions do not have to clear every obstacle, but they should focus on the combination of improvements that allow the market to evolve into a Risk/Reward Market (described below).

  CMO recruitment efforts among city and regional markets in this category will likely be most fruitful if targeted toward Entrepreneurial CMOs or Niche CMOs. Networks that fall into these types typically seek slower growth or are able to adjust their model to meet a community's unique characteristics.

  Some of the highest-potential markets in the country—Georgia, Las Vegas, and New Mexico—likely fall into this category. There are a variety of policy challenges regarding governance and autonomy, but each market has indicated both a willingness and an ability to change the climate. Each city or region is tackling these challenges in a unique way.

- **Risk/Reward Market:** These markets tend to be large enough and dense enough to support CMO growth and have some combination of very high need or demand and resources that are at least adequate (some of these markets may actually be well resourced). The policy climate is often largely acceptable to favorable, with a few key barriers. CMOs will be drawn to these markets by resources or need and demand, but the savviest operators will be wary of policy barriers and limitations such as those on governance, operational autonomy, or personnel management.

  Local leaders must first decide which operators they'd most like to attract to their city or region. State and local leaders should then partner with CMOs to identify the biggest challenges and barriers in the regulatory environment and to prioritize these issues. CMO recruitment to these markets should be a partnership endeavor.

  This is a slower, more deliberate process, but it will create a collaborative relationship that will not only meet the needs of one CMO but also improve market conditions for all CMOs over time, and allow the market to evolve into an established market over time.

  The best of these markets are creative when it comes to solutions. They layer facilities funding and financing options on top of traditional per-pupil revenue; they create alternative certification pathways to combat talent shortages; and they fund nontraditional activities such as community and family engagement. They also find ways to incent the kinds of operators they need the most. While just 41 percent of survey respondents indicated an interest or willingness to do turnaround work, almost every CMO in the country has assessed opportunities to expand to Memphis or Indianapolis, or both, because both communities have built unique partnerships that include free facilities, additional funding, and expanded supports for operators willing to tackle school restart.

  Because of the flexibility demonstrated by Entrepreneurial CMOs and Niche CMOs, there is the potential for a natural

Table 1: Matching CMO Models to Regional Markets

		Market Type		
		Emerging	Risk/Reward	Mature
CMO Type	Established			
	Entrepreneurial			
	Niche			

- Unlikely to be a fit
- May be a fit depending on specific markets and CMOs
- Likely to be a fit

fit between these CMO types and Risk/Reward Markets. Specific Established CMOs may also be a good match for Risk/Reward Markets if the market is able to tailor its recruitment process to meet the specific needs of a given Established CMO. As Established CMO organizations seek to expand beyond current geographies, many of them will expand into Risk/Reward Markets over time.

The majority of charter markets probably fall into this category. Indianapolis, Baton Rouge, and Memphis are all examples of Risk/Reward Markets.

- **Mature Markets:** These are large, high-density markets with strong resource availability, favorable regulatory environments, and high-potential talent/education ecosystems. These markets start from the strongest negotiating position. CMOs have what they need; demand and need in the market are high; and the political stars are aligned. It is likely that these markets already support a number of high-quality operators, and the only real limitation in the market is parent demand.

  These markets are also unique in the work they've done to build out their charter sectors. While many relied solely on size and demand, Washington, D.C., for example, had to offset the risks of being a smaller charter market with high charter penetration. In Washington, D.C., sector leaders fought to maintain a great deal of autonomy, lobbied for one of the highest per-pupil revenue streams in the country, and demanded high-quality authorizing that encourages proven operators to develop schools.

  In Mature Markets, state and local leaders should carefully align recruitment efforts to fill current gaps in the charter portfolio. They have the luxury of being able to seek out the schools that parents want or that offer unique or specialized education programs. To that end, Niche CMOs, along with select Established CMOs, are a good match for Mature Markets.

  Washington, D.C., Houston, and New Orleans are all Mature Markets.

Finally, it is important to note that CMO growth is one important strategy among many options for increasing the presence of high-quality charter schools. Depending on specific state and local circumstances and appetites, policymakers may wish to pursue other proven strategies, including encouraging replication of home-grown, high-quality charters; incubating new charter schools and new charter leaders; or increasing the quality of existing midtier charter schools.

Twenty-five years ago, individual charter schools emerged as discrete attempts to better serve students. Since that time, high-performing CMOs have emerged to play an increasingly important role in the charter movement's quest. Building on more than a decade of lessons learned, there is increased sophistication among this group of CMOs about defining the conditions that enable their success. These CMO and market types should enable policymakers and community leaders around the country to take actions that meet the needs of their own communities to enable better educational options and outcomes for the country's highest-need students.

Endnotes

1 National Alliance for Public Charter Schools, *CMO and EMO Public Charter Schools: A Growing Phenomenon in the Charter School Sector,* (Washington, D.C.: National Alliance for Public Charter Schools, 2010).

2 For the purposes of this report, we define "high-performing" as those CMOs that, on average, outperform the district or state in which their schools are located.

3 Sara Mead, Ashley LiBetti Mitchel, and Andrew J. Rotherham, *The State of the Charter School Movement,* (Washington, D.C.: Bellwether Education Partners, September 10, 2015), http://bellwethereducation.org/publication/state-charter-school-movement.

4 The select group of 40 CMOs that were approached to participate in the study included all 23 CMOs eligible for the Broad Prize for Public Charter Schools, plus an additional 17 high-performing CMOs that have recently expanded to new regions or are actively considering such expansion. Within this group were CMOs operating schools within diverse geographies, among a variety of grade levels, and with a range of portfolio sizes.

5 Mead, LiBetti Mitchel, and Rotherham, *State of the Charter School Movement.*

6 Rather than ask CMOs for a single weighted average funding level across their network, the survey asked for the lowest and highest per-pupil funding levels in their network. The "average low/high" numbers here are the average of the low or high values for all CMOs, while the "midpoint average" is the average of midpoints of each CMO's high-low range.

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The National Alliance for Public Charter Schools is the leading national nonprofit organization committed to advancing the public charter school movement. Our mission is to lead public education to unprecedented levels of academic achievement by fostering a strong charter sector. For more information, please visit our website at www.publiccharters.org.

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