

Charter Management Organizations in New Orleans

April 2015 | Issue Brief No. 1

By Patrick Sims

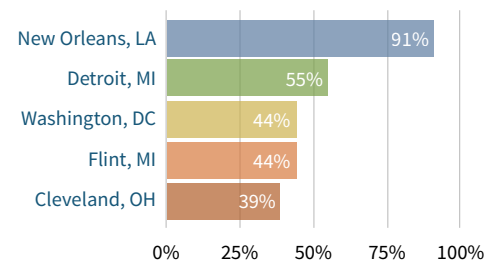
Summary: This brief examines charter management organizations (CMOs) in New Orleans. It analyzes their growth over time, why changes have occurred, and how CMOs impact the city's education landscape.

What is a Charter Management Organization?

Charter schools, which are public schools that are operated independently, were first introduced in Louisiana in 1995 with the passage of Act 192. Though charter schools are given more control over their administrative tasks and academics, they are still held to the same accountability standards as a traditional public school. **A charter management organization (CMO) is an organization that operates multiple charter schools.** By performing many of the functions of a traditional school district, CMOs act as small, non-traditional school districts in an otherwise decentralized education landscape.¹

CMOs in New Orleans have both established new schools and taken over struggling ones. CMO growth in New Orleans is part of a larger national trend. According to the National Education Policy Center, **nationally, the number of charter schools that are a part of a CMO grew more than 390% between 1998 and 2011.**² These organizations can be for-profit or nonprofit. In Louisiana, for-profit operators, also referred to as education service providers (ESPs) or education management organizations (EMOs), cannot hold charter contracts. Instead, they must be appointed by a nonprofit board of directors, who actually hold the charter contract.³ ESPs and EMOs seek to earn profit from the operation of schools, while nonprofit organizations do not.

School Districts with the Highest Rate of Charter School Enrollment, 2013-14



Source: *A Growing Movement: America's Largest Charter School Communities*, National Association of Public Charter Schools (2014)

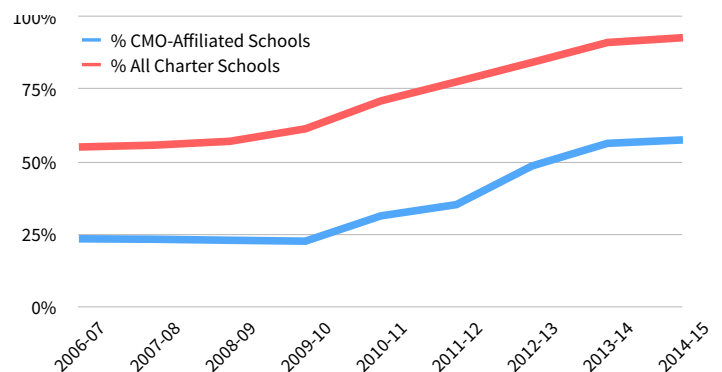
Are most public school students in New Orleans in charter schools?

Yes. With 91 percent, **New Orleans has the highest rate of charter school enrollment of any school district in the country.** Detroit, which has the second highest rate, is 36 percentage points behind New Orleans.

Are most charters schools in New Orleans in CMOs?

Since 2006-07, the first school year that the majority of New Orleans students were enrolled in charter schools, the **percentage of charter schools that belong to a CMO has grown from 45 to 60 percent**, and the number of CMOs increased from four to twelve. During that time, all charter school enrollment grew at about the same rate as CMO enrollment, which is now close to 60%.

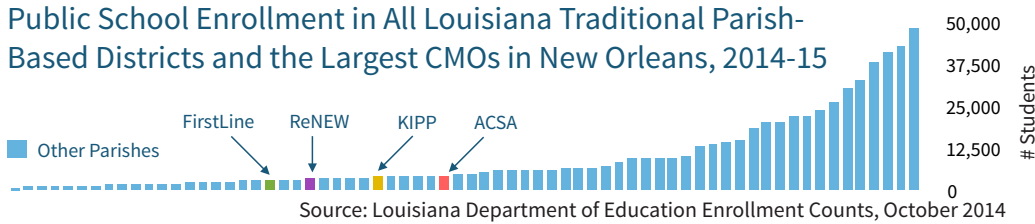
Percentage of New Orleans Public School Students Enrolled in All Charter Schools and CMOs, 2007-2015



Source: Louisiana Department of Education Enrollment Counts, October 2006-14

How large are the CMOs in New Orleans?

Some of the CMOs enroll more students than some entire parishes in Louisiana. **Algiers Charter School Association (ACSA), the CMO with the largest enrollment in the city, is larger than 29 traditional school districts in the state.** Other large CMOs in New Orleans, including KIPP New Orleans Schools, ReNEW Schools, and FirstLine Schools, are also larger than many traditional districts. The chart on page three tracks the growth of CMOs in New Orleans from 2007 to present.



Are the CMOs in New Orleans local or part of national networks?

The majority of charter schools in New Orleans are operated by homegrown networks. Currently, the only national CMO is the Knowledge is Power Program (KIPP) network, which has grown from about two percent of the city's total enrollment in 2007 to almost nine percent in 2015.

Are charter schools in New Orleans for-profit?

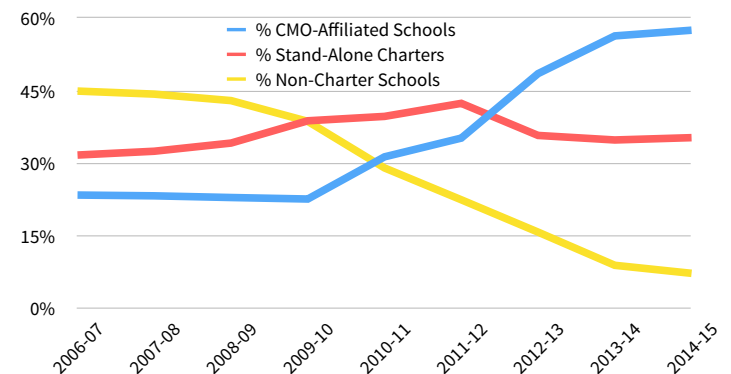
While some charter schools had been operated by for-profit organizations, **currently, no schools in New Orleans are operated by for-profit organizations.**⁴ Since 2007, schools that were operated by for-profit ESPs in New Orleans were forced to close or changed hands for a variety of reasons, including poor academic performance and low student enrollment.⁵ Other cities in Louisiana have for-profit ESPs and many other states have a high number of for-profit charter schools, including Arizona, Florida, Michigan, and Ohio.⁶

Why have CMOs grown so much in New Orleans?

The trend of CMO growth is not unique to New Orleans. National data show that the percentage of all charter schools that are part of a CMO has consistently grown in recent years.⁷ While there are some clear benefits to charter schools pooling their resources in this manner, there are also systemic explanations for this phenomenon:

- ▶ **Several policies encourage the development of networks by giving CMOs and successful schools the ability to more easily open new schools.** Act 1 of 2012 (codified in La. R.S. 17:3992) allows charter school operators with strong academic and financial records to open up to two additional schools under the same chartering authority without going through another application process. The new school must serve the same grade levels and enrollment boundaries as the successful school. A number of CMOs are currently eligible to open new schools under this policy. Additionally, charters can apply at one time to open multiple schools under growth plans and the charter authorization process is streamlined for charters already operating in Louisiana.
- ▶ **Additional funding from federal grants and outside organizations has targeted the improvement and growth of CMOs.** For example, the nonprofit New Schools for New Orleans has supported the launch and expansion of 28 charter schools in New Orleans, most of which belong to CMOs.⁸
- ▶ **Some stand-alone charter schools have determined that being a part of a CMO is in their best interest long-term.** For example, when undergoing a leadership change, Akili Academy chose to join Crescent City Schools instead of finding a direct leadership replacement.⁹

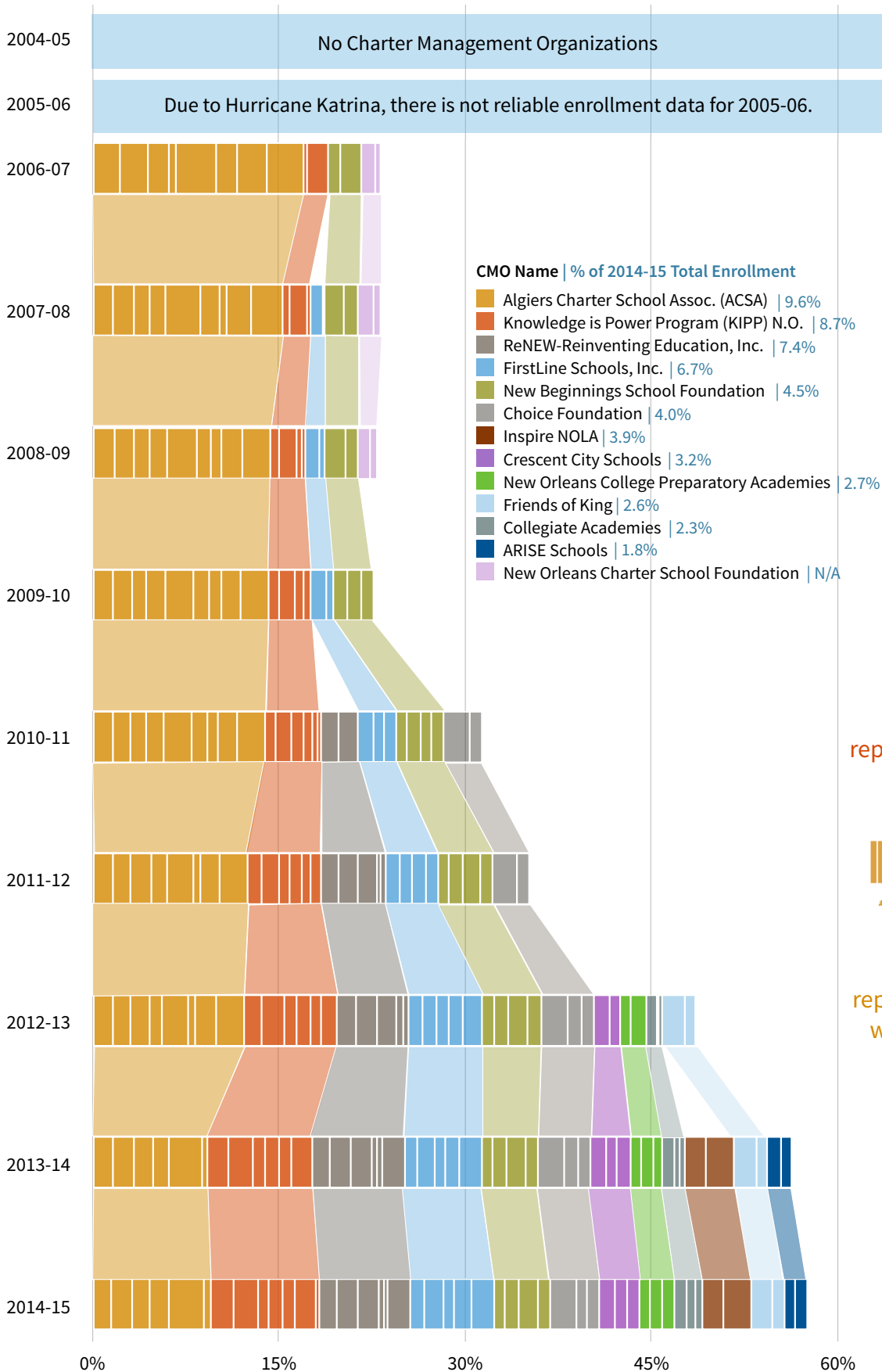
Percentage of New Orleans Public School Students Enrolled by School Type, 2007-2015



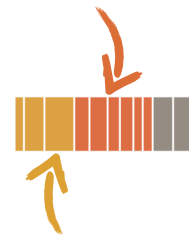
Source: Louisiana Department of Education Enrollment Counts, October 2006-14

What are the CMOs in New Orleans and how have they grown?

Percentage of New Orleans Public School Students Enrolled in Charter Schools by CMO, 2005-2015



Each color represents a CMO



Each segment represents a school within that CMO

Source: Louisiana Department of Education Enrollment Counts, October 2004-14

What are some of the pros and cons of CMOs in New Orleans?

Past research has found mixed evidence on the effectiveness of CMOs. One of the largest studies of national CMO academic performance to date was conducted by Mathematica Policy Research and the Center on Reinventing Public Education.¹⁰ The study found that **more CMOs had statistically significant higher learning growth than had negative impacts**. Also of note, the study found that differences in academic achievement tended to exist more across CMOs rather than within CMOs, which signals that **CMOs manage to provide consistency** across their schools.

Another study by the Center for Research on Education Outcome (CREDO) found that student performance in CMOs was **about the same as traditional public schools, but that CMOs tended to have superior growth with students of color and students in poverty**.¹¹ The study also found that new charter schools in CMOs tended to perform better than new independent charter schools, though both lagged behind new traditional schools.

CMOs have both advantages and drawbacks for individual schools, students, parents, and administrators. While more research is needed to determine the effects CMOs are having in New Orleans, **some possible positive and negative effects of CMOs include:**

Positive

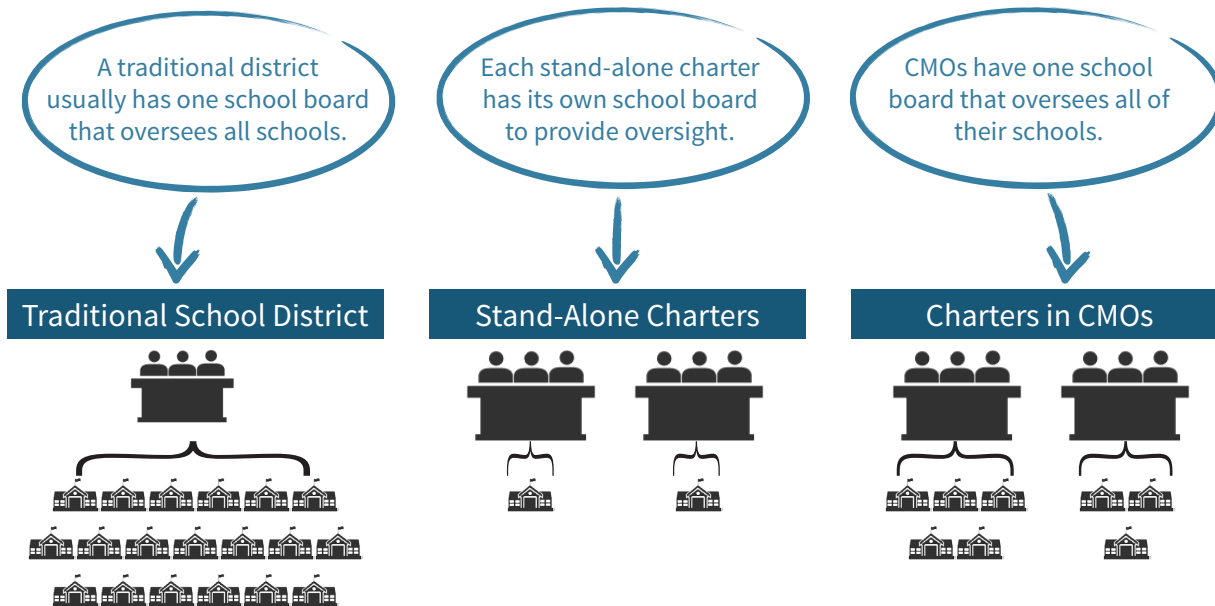
- ▶ **Economies of Scale:** Economic and efficiency gains can be realized by centralizing administrative tasks and services, including transportation.
- ▶ **Program Consistency:** Academic offerings and quality can be standardized across schools.
- ▶ **Information Sharing:** Schools can better share information on education and administrative strategies and lessons learned.
- ▶ **Service Sharing:** Schools can share services and staff that may not otherwise be cost-effective to offer at a single school (e.g. special education, English-language instruction, medical services).
- ▶ **Financial Interdependence:** If one of their schools is facing a budget deficit, CMOs can move money from one school's budget to another. Schools going through different stages or events that require additional funding can rely on this shared funding to provide temporary relief (see this topic below in the 'Negative' section).
- ▶ **Human Capital:** CMOs may be able to offer teachers a wider variety of growth opportunities within the organization and better professional development due to their larger central office capacity.
- ▶ **Fundraising:** CMOs may be better positioned to fundraise and to successfully apply for grants, both from independent and governmental sources, due to their greater administrative capacity.

Negative

- ▶ **Lack of School Diversity:** A diversity of educational choices is typically cited as one of the main benefits of a charter system, but when schools group together, educational choices may become more standardized.
- ▶ **Fundraising Crowding Out:** If CMOs become too dominant, they may crowd out the ability of independent charter schools to fundraise and break into markets.
- ▶ **Bureaucracy:** There is a risk that as CMOs expand, they could develop bureaucratic systems like those that are often criticized by charter supporters.
- ▶ **Financial Interdependence:** If one of the schools in the CMO is facing a budget deficit, the CMOs can move money from one school's budget to another. While this can be a positive for the school receiving the money, there are two areas of concern with this practice. First, schools receive money on a per-student basis from the Minimum Foundation Program (MFP). When money is shifted, some students and schools are benefiting from money that was allocated for other students. Second, this practice can create a disincentive for individual schools within a CMO to balance their budgets since they have assurances that the CMO will contribute funding to ensure the school is not running a deficit.

What does this mean for school boards?

School boards are tasked with appointing charter or CMO leaders as well as providing guidance and oversight for schools' financial management, academics, and legal compliance. The 2006-07 school year marked a significant change in how school governance was structured in New Orleans. Before that school year, almost all schools were overseen by the Orleans Parish School Board (OPSB). However, following Hurricane Katrina, school governance became more decentralized. The Recovery School District (RSD) took over and directly operated most of the schools in the city. Over time, RSD schools gradually became charter schools and often became part of a CMO. Stand-alone charter schools each have their own school board, while CMOs have one board that oversees all of their schools.



New Orleans has significantly more school boards than most school districts due to its high rate of charter enrollment. In the 2014-15 school year, New Orleans had 44 school boards, which is roughly one for every 1,000 students. In comparison, New Orleans had one school board for every 16,000 students in the 2004-05 school year. There are some advantages and disadvantages to having school boards that oversee fewer schools:

- ▶ **More Involved:** School boards are able to be more intimately involved in the oversight of the school. They have the capacity to know the students they serve as well as the personnel that directly operate the school.
- ▶ **Accessibility:** Parents and interested parties may be able to more directly engage their school board members since each board represents fewer people's interests.
- ▶ **Board Accountability:** While parents may be better able to engage their school board, it is more difficult to oversee all school boards. A central office needs greater capacity to ensure that boards are meeting all of their obligations (e.g. open meetings laws and ethics trainings), which becomes increasingly difficult as the number of boards increases.
- ▶ **Civic Engagement:** Traditional school board members are democratically elected, but more school boards mean more citizens are directly engaged with public education.
- ▶ **Human Capital:** Joining a charter board is a time-consuming volunteer commitment. Some charters may have a difficult time finding highly-qualified board members and making sure that they are properly trained for the task of school governance.

CMO boards are somewhere in between stand-alone charter boards and large traditional school boards in terms of public accountability. They also generally oversee fewer schools than traditional boards, allowing them to provide greater scrutiny of those schools. **The chart on page six shows how school governance decentralized after Katrina, but also how smaller pockets of centralization have begun to form recently.**

Number of Public School Boards in New Orleans by Year and size, 2005-2015

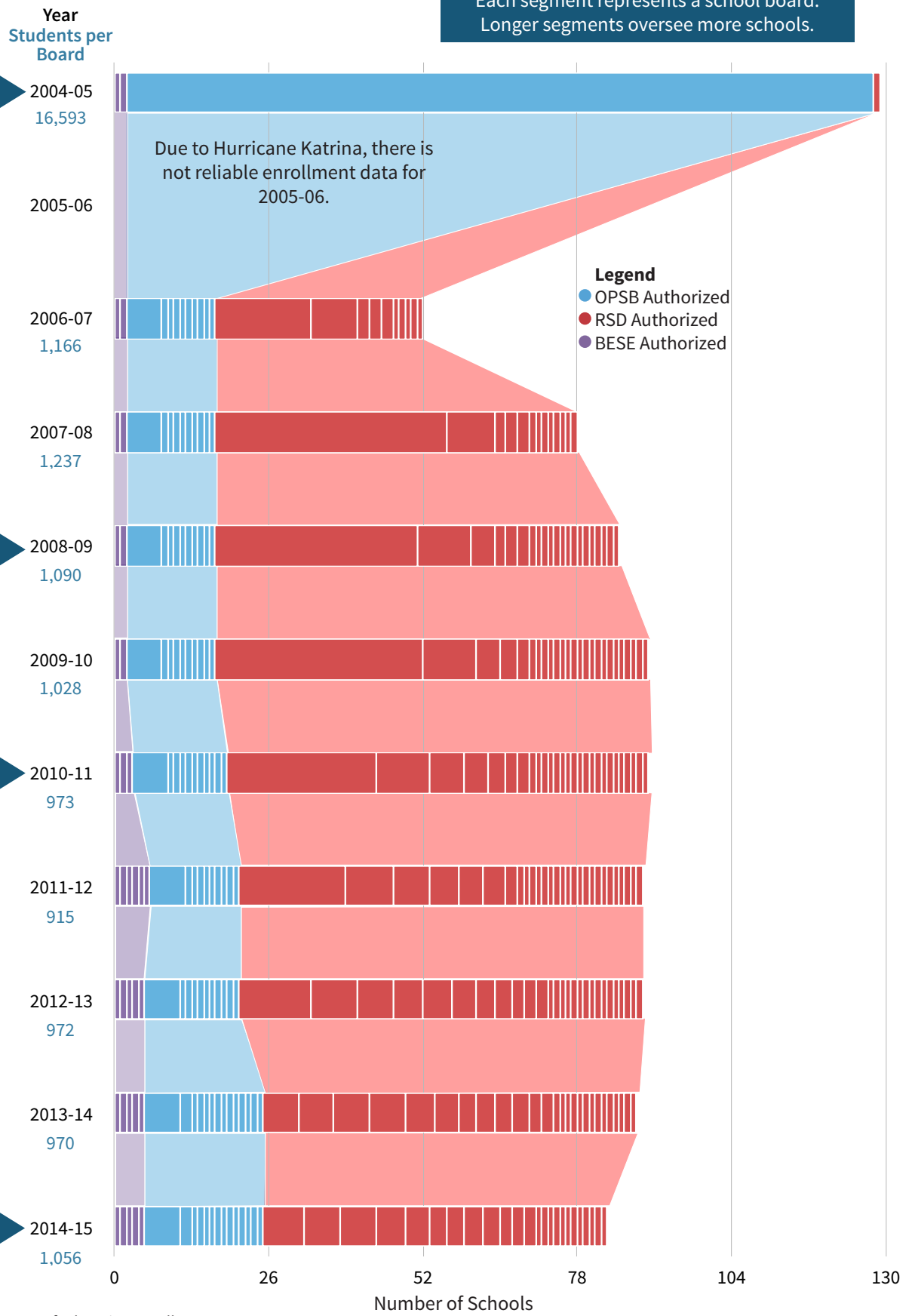
Each segment represents a school board. Longer segments oversee more schools.

The large blue segment represents OPSB direct-run schools before Hurricane Katrina. Prior to 2006, nearly all schools in the city were overseen directly by OPSB.

The large red segments represent RSD direct-run schools, from 2006 to 2012, following its takeover of most city schools.

RSD has gradually decreased the number of schools that it directly oversees. 2014-15 is the first school year that RSD had no direct-run schools.

In 2014-15, no single school board oversees a large portion of schools, but smaller pockets of centralization have started forming.



Source: Louisiana Department of Education Enrollment Counts, 2004-2014

Looking Ahead

Charter Management Organizations (CMOs) are responsible for the education of the majority of New Orleans public school students and the large sums of public money that the government allocates for each student's education. As CMOs continue to grow in size and influence, it will become increasingly important to make sure policies are designed to foster improved and equitable outcomes for all students. Specifically, some issues to follow will be:

- ▶ **CMO Performance:** Academic and financial performance of CMOs, as well as individual charters, should be monitored. Should CMOs be held accountable the way districts are and be assigned district performance scores as well?
- ▶ **Stagnant Innovation:** There is a risk that, like in any market, it becomes harder for individual schools to start up and innovate against incumbent powers. Further, it may be even harder for new/external CMOs to break in.
- ▶ **CMO Expansion:** How should policies be designed regarding CMO growth? Should successful schools continue to be able to replicate more easily?
- ▶ **Finances:** How should schools' financial health be evaluated when CMOs are choosing to use money across schools or holding a single central reserve?

Endnotes

¹There are examples of schools finding other ways to centralize some administrative services without joining a formal CMO, with the Eastbank Collaborative of Charter Schools being a prime example. Also, CMOs in Louisiana are not their own local education agency (LEA). Rather, BESE-authorized charter schools (including RSD charters) act as their own LEA and OPSB serves as a single LEA for its charter schools.

²Miron, G., Urschel, J.L., Yat Aguilar, M.A., & Dailey, B. (2011). *Profiles of for-profit and nonprofit education management organizations: Thirteenth annual report - 2010-2011*. Boulder, CO: National Education Policy Center.

³See Board of Elementary and Secondary Education Bulletin 126, Chapter 5 for more information.

⁴Some students in New Orleans enroll in online courses that are provided by for-profit organizations.

⁵Carr, Sarah, "Some charter schools cutting ties with for-profit partners," Times-Picayune, April 4, 2009.

⁶Miron, G., & Gulosino, C. (2013). *Profiles of for-profit and nonprofit education management organizations: Fourteenth Edition—2011-2012*. Boulder, CO: National Education Policy Center.

⁷Furgeson, J., Gill, B., Haimson, J., Killewald, A., McCullough, M., Nichols-Barrer, I., Teh, B., Verbitsky-Savitz, N., Bowen, M., Demeritt, A., Hill, P., Lake, R. (2012). *Charter-school management organizations: Diverse strategies and diverse student impacts*. Report prepared by Mathematica Policy Research and the University of Washington's Center on Reinventing Public Education. Princeton, NJ: Mathematica Policy Research.

⁸"Charter School Investments." New Schools for New Orleans. Accessed March 20, 2015. <http://www.newschoolsforneworleans.org/charter-school-investments>

⁹Vanacore, Andrew, "Akili Academy finds new leadership by joining Crescent City Schools," Times-Picayune, March 9, 2012.

¹⁰Furgeson, J., Gill, B., Haimson, J., Killewald, A., McCullough, M., Nichols-Barrer, I., Teh, B., Verbitsky-Savitz, N., Bowen, M., Demeritt, A., Hill, P., Lake, R. (2012). *Charter-school management organizations: Diverse strategies and diverse student impacts*. Report prepared by Mathematica Policy Research and the University of Washington's Center on Reinventing Public Education. Princeton, NJ: Mathematica Policy Research.

¹¹Peltason, E., Raymond, M. (2013). *Charter School Growth and Replication*. Center for Research on Education Outcomes. Stanford, CA.

For more information on charter schools
and new research and policy analysis,

visit www.coweninstitute.org.



**Tulane
University**

1555 Poydras St., Suite 700
New Orleans, LA 70112-3701

COWEN INSTITUTE
FOR PUBLIC EDUCATION INITIATIVES

504-274-3690