Sweating the Big Stuff: A Progress Report on the Movement to Scale Up the Nation's Best Charter Schools

By Thomas Toch

Amistad Academy is a bright shining star in public school reform. Founded in 1999 in a renovated warehouse in a blighted New Haven, Connecticut, neighborhood by a group of Yale law school students, the 289-student charter school has won the praise of two federal education secretaries. Educators throughout the country have traveled to the middle school to study its success with students who have endured the ravages of urban poverty—arguably the nation's toughest educational challenge. And Amistad's strong academic performance has led the school's founders to create a non-profit organization called Achievement First that is attempting to build a network of 30 charters schools like Amistad in three Connecticut cities and Brooklyn, New York.

But keeping Amistad's doors open hasn't been easy. Over a quarter of the school's annual revenue—nearly $1.4 million, or $4,200 per student in 2008-09—comes from private donations rather than public funding.[1] To generate these heavy yearly subsidies, Amistad relies on an ambitious fundraising network led by two well-connected New Havenites who have served on the board of trustees of elite local private schools like Hopkins Grammar and Choate Rosemary Hall, and who have helped ensure that Amistad's many visitors include a steady stream of well-heeled donors from Greenwich, New Canaan, Westport, and other affluent Connecticut enclaves.

Amistad and Achievement First are part of an ambitious movement in American education to educate large numbers of impoverished inner-city students to higher standards than public schools traditionally have sought for them. Over the past decade, nearly four dozen new, nonprofit organizations with names like Aspire Public Schools, Uncommon Schools, and, perhaps the best known, the Knowledge is Power Program—KIPP—have set to work alongside Achievement First to replicate the nation's best urban charter schools, the publicly funded but independently operated schools that emerged on the reform landscape in the early 1990s. Together, they represent an unprecedented campaign to take school reform to scale.

This education Manhattan Project has been propelled by the nation's best and brightest, a new generation of social entrepreneurs with Harvard business degrees and Rhodes scholarships on their resumes who are committed to helping disadvantaged students by building a new, performance-driven brand of public schooling.

Some of the new education entrepreneurs have turned to building charter school networks in pursuit of a solution to the slow pace of improvement in traditional public schools and in response to the uninspired performance of many of the nation's individual charter schools. They've sought to create "proof points," evidence that large numbers of disadvantaged students can achieve at sharply higher levels than most do now.

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Others have sought to use charter management organizations, or CMOs, as they're called, to create a "FedEx effect" in education, putting enough competitive pressure on traditional public school systems to cause them to embrace reforms, the same way that the rise of FedEx led the U.S Postal Service to start Express Mail delivery and other services. In some cases, they've envisioned charter school systems replacing traditional public schools outright, serving as engines of "creative destruction."

To many, the new education entrepreneurs represent the future of school reform. They have attracted hundreds of millions of dollars in philanthropy from new and wealthy foundations. And the boards of directors of many charter management organizations and their individual schools are stocked with lawyers, investment bankers, and corporate executives, the sorts of rich and powerful people usually associated with prestigious private schools.

They have been drawn to the strong performance of some CMO schools in overcoming the educational consequences of poverty. Major independent studies of student achievement in these networks of charter schools are just now getting underway. And some researchers have found higher attrition levels among the organizations' weaker students (by law, charter schools must be open to all students and use a lottery if over-subscribed).[2] But a number of charter networks, including Achievement First, have produced impressive early results.

It is a performance with potentially powerful social consequences and one that has won many CMOs congratulatory coverage in the national media—on 60 Minutes and the Oprah Winfrey Show, in the *New York Times Magazine* and *Esquire*, in nearly every major daily newspaper, and in a spate of new books—and the strong prospect of a substantial federal investment in the organizations' expansion by the Obama administration.

But behind the flattering headlines is a different story. Interviews with dozens of executives at leading charter networks and a wide range of other experts, travel to over a dozen schools run by the most prominent charter organizations in four states, and a reading of thousands of pages of business plans, consultant reports, and other documents provide a portrait of financially fragile organizations struggling to sustain the quality of their schools as they expand.

The uncompromising commitment of leading charter networks to success with the nation's toughest students stands in sharp relief to the performance of many traditional urban school bureaucracies. They have demonstrated that disadvantaged students can be educated to higher levels than most are today, and the best of them have been laboratories of reform, teaching valuable lessons about what's needed to successfully educate children living in urban poverty. They have attracted some of the nation's best talent and most influential leaders to public education, a sector that has long lacked status in American life. They have improved the education of thousands of students. And now, with the President of the United States and the U.S. Secretary of Education praising their work and pledging to fund their growth, they are about to move to the center of the national education stage.

But in the decade since the emergence of the first charter management organizations charter networks have expanded more slowly, produced fewer truly outstanding schools, and required more resources than they had hoped. The extraordinary demands of educating disadvantaged students to higher standards, the challenges of attracting the talent required to do that work, the burden of finding and financing facilities, and often-aggressive opposition from the traditional public education system have made the trifecta of scale, quality, and financial sustainability hard to hit.

The critics of traditional public schools should be as chastened as they are inspired by the record of charter networks. With some 95,000 students, charter management organizations today educate about 1 percent of the nation's 8 million disadvantaged urban students.[3] Their roughly 320 schools have not all achieved Amistad's academic success. Nor have they yet catalyzed widespread reform among the nation's 95,000 traditional public schools. And now the organizations and the foundations that have sustained them are being battered by the global recession, pushing some CMOs to the brink of insolvency.

The experience of leading charter management organizations suggests that merely devolving authority to charter school leaders and holding them accountable for results—an approach advocated by many early charter proponents—is an insufficient reform strategy. The charter networks that have produced the best results over the past decade have spent many more resources supporting their schools than most of them had anticipated—and more resources than many traditional public school systems spend on their students today.

Even with an infusion of new federal funding it won't be easy to expand the supply of truly high quality public schools for students living in urban poverty at a significantly faster pace, the record of leading charter management organizations suggests. CMOs face significant state and local regulatory hurdles. Many charter networks today lack the capacity—the school leaders, the administrative expertise, the qualified teachers—to scale their organizations rapidly without sacrificing quality. And the long-term financial viability of a number of leading charter management organizations is unclear in the absence of continuing subsidies by foundations and other sources—given the substantial cost of educating students to significantly higher standards that traditional urban public schools and the fact that many charter networks must work with lower public funding that traditional public schools and finance their facilities.

Ultimately, the best way to sustain high-performing charter networks both educationally and financially and to leverage their successes would be to give traditional school systems strong financial incentives to embrace CMOs without diminishing the networks' autonomy and to make charter networks part of comprehensive strategies for countering the impact of poverty on learning in urban centers.. It is tremendously difficult, the experience of the leading charter networks makes clear, for schools to push impoverished

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students to high standards while trying to address, by themselves, the myriad problems that their students bring with them through the school house door.

Djembe Drums and Polo Shirts

At 8 A.M. on Mondays and Fridays, a team of students start pounding out a surging beat on djembe drums in the Amistad gymnasium. Others hurry to roll portable dining tables into storage and half the Amistad student body, most of which is clad in khaki pants and blue polo shirts and fortified with a federally subsidized breakfast, takes up places with teachers around the perimeter of a basketball court that fills the gym.

"Good morning," says Director Matt Taylor, as he strides toward the court's center circle. "GOOD MORNING," students roar back, and for the next twenty-five minutes Taylor and Amistad's teachers move through a daily ritual designed to promote pride, hard work and discipline among students who have known mostly deprivation in their lives. Teachers step forward to recognize individual students for "reading eight books by October 15th" or "memorizing multiplication facts through 12." The rest of Amistad's students respond with a variety of synchronized claps. "Let's give him a Fourth of July," Taylor or a teacher says, or "they deserve a Clap-and-a-Half on three." The middle schoolers' enthusiasm is palpable. They smile widely when Taylor admonishes guests, "Stand up straight, heads erect." At the end of the meeting the djembe drums come back to life. "Who are We, Proud to Be?," ask several students over the driving rhythm. "AMISTAD ACADEMY," students, teachers, and administrators thunder in reply.

Amistad's morning admixture of pep rally and military parade-ground performance is one of the ways that Achievement First and other high-performing charter networks have sought to teach their students "learned optimism," a sense that they are part of an exciting enterprise that will pay them big dividends if they work hard. Creating up-beat, can-do school cultures where kids care because they feel cared about is critical, CMO leaders say, to generating the energy and discipline that severely disadvantaged students require if they are to make it through the demanding programs that schools like Amistad have established to put impoverished students on a much higher academic trajectory. It is the driving beat of the djembe drums, they suggest, that propels the school's African American and Latino 10-, 11-, 12-, and 13-year-olds through school days that routinely run from 7:30 to 5:00, three hours longer than traditional public schools. It is hallways filled with college banners and posters declaring "no excuses" and "whatever it takes" that keep students at Amistad and many other CMO-run schools in class on Saturdays and for two or three weeks during the summer.

With students performing far below their middle-class peers when they arrive, Achievement First and other leading charter networks carve out large blocks of their longer school days for catching up students in core subjects—there's an hour and five minutes of math a day at Amistad and three and one quarter hours of reading, writing, and literature. And there's tutoring during and after school and on Saturdays. And Amistad and other Achievement First schools have reduced the amount of time they spending teaching social studies and science to focus on reading, writing, and math.

Each course in the Amistad curriculum is broken into daily lessons that Achievement First has aligned with state standards and tests. And its teachers use the same instructional routines in their classrooms. The day's goal, for example, must be written on the blackboard. Classes start with a series of questions for students and it's expected that 80 percent of students have their hands raised, ready to answer. A behavior system borrowed from KIPP called SLANT requires students to **S**it up, **L**isten, **A**sk (and answer questions), **N**od (your head so people know you are listening), and **T**rack (speakers with your eyes). The model is combined with chanting and rhythmic clapping in classes and with reward systems that permit students to earn t-shirts and other items for strong grades and good citizenship.

Such strategies, says Dacia Toll, Achievement First's chief executive and Amistad's first director, further strengthen the self-discipline of students who often lack structure in their home lives.For the same reason, Amistad and Achievement First "sweat the small stuff," says Toll, a Rhodes Scholar who graduated from the private National Cathedral School in Washington, D.C., before attending the University of North Carolina at Chapel Hill and Yale Law School. Silence is required in hallways. Homework has to be completed. And no shirt is left un-tucked.

Amistad relies on a cadre of idealistic, mostly young teachers to deliver its tough-love discipline and non-stop instruction. A number of them, like their counterparts at other leading CMO-run schools, are the products of Teach For America, the public-service program that places recent top-college graduates in difficult-to-staff public schools for two-year stints. Non-unionized, they report that they routinely work 10- and 11-hour days, and 12-hour days aren't uncommon. Every new Amistad and Achievement First teacher is assigned a "coach," a school leader or master teacher who observes them weekly and the organization plans to extend the program to all teachers next year. New Achievement First teachers spend every Friday afternoon and three weeks during the summer honing their craft. They focus relentlessly on results. Students throughout the organization's schools are tested every six weeks and their scores are posted on on-line "data dashboards" and gone over by teachers and principals one-on-one during "data days," when students are not in school.

Amistad's strategies have paid substantial academic dividends. In recent years, 25 percent of Connecticut's Hispanic middle school students, 30 percent of African American students, and 74 percent of white students have met the state's basic standards in math, reading, and writing; at Amistad, where nearly every student is African American or Hispanic, 82 percent of students have met Connecticut's standards in reading and 94 percent in math, making Amistad one of at least nine CMO-run schools nationally to completely close the achievement gap between African American and Latino students and their white counterparts.[4]

Silicon Valley Start-Up

The campaign to replicate schools like Amistad began a decade ago, with a San Francisco-based organization called the NewSchools Venture Fund.

In 1997, John Doerr, a partner in the prominent Silicon Valley venture capital firm of Kleiner, Perkins, Caulfield and Byers, and an early investor in Netscape, Amazon, and later Google, heard a pitch by then Vice-president Al Gore urging the private sector to get involved in school reform. Doerr discussed Gore's plea with partner Brook Byers and other colleagues and eventually hired a second-year Stanford business school student, Kim Smith, the daughter of a Columbia Teachers College professor and a founding team member of Teach For America, to explore ways to apply the principles of venture capital investing to education reform.[5]

Doerr, Byers, and Smith launched the NewSchools Venture Fund a year later as a non-profit "venture philanthropy" that would raise money from wealthy individuals and invest in "scalable ventures" seeking to create networks of new, high-performing public charter schools for disadvantaged students.[6] "One-of-a-kind charter schools were never going to be able to provide low-income kids the specialized services they needed," says Smith, who served as NewSchools' chief executive from 1998 to 2005. "And charter schools needed scale to be taken seriously."[7]

At first, NewSchools backed both for-profit and non-profit organizations. In 1999, it gave $1 million to Aspire Public Schools. The nation's first non-profit charter management company, Aspire had been founded the year before by Don Shalvey, a Silicon Valley public school superintendent who had opened California's first charter school in 1992, and entrepreneur Reed Hastings, the founder of Netflix and president of the California State Board of Education from 2001 to 2004.[8]

The next year, NewSchools invested in LearnNow, a for-profit CMO recently co-founded by two young African American entrepreneurs who wanted to change the educational calculus for urban kids—Eugene Wade, a product of Boston housing projects who went on to Harvard Law School and the University of Pennsylvania's Wharton School, and James Shelton III, who had made it from Washington, DC's blighted Anacostia neighborhood to Stanford Business School.

But LearnNow struggled and after covering the company's payroll for six months, NewSchools in mid-2001 brokered the sale of the company and its soon-to-be eleven schools for $31 million to Edison Schools, Inc, the largest of some three dozen education management companies that had emerged since the early l990s to run charter schools and turn around struggling traditional public schools for profit.[9]

Founded by media entrepreneur Christopher Whittle, who had lured the president of Yale, Benno Schmidt Jr., to help run the company, Edison became a publicly traded company in November 1999 and by February of 2001, at the height of the dot-com stock market bubble, its market value had risen to nearly $2 billion. But within 18 months, following weak earnings, mounting political opposition and other public relations problems that the Learn Now purchase couldn't counter, Edison's stock had plummeted from nearly $37 a share to 14 cents a share, and it dragged the emerging for-profit schooling industry down with it.[10] Investment money dried up and companies with names like Education Alternatives and Advantage Schools where shut down or sold off. The sector has been largely dormant since then and for-profit companies today manage 530 public and charter public schools enrolling 250,000 of the nation's 50 million students—though new ventures are beginning to emerge on the for-profit landscape.[11] [See sidebar, p tk]

Its troubled investment in LearnNow and the collapse of Edison and other companies led NewSchools to abandon the for-profit side of its schools strategy. "Our experience with Learn Now was bruising," says Ted Mitchell, an early NewSchools board member who replaced Smith as CEO in 2005, and who now chairs the California State Board of Education. "[Learn Now's private investors] were more interested in growth and profits than what was best for students. And there was tremendous opposition to companies running publicly funded schools for profit. We thought, 'Why absorb that punishment when you can create non-profits?' " In 2001, Kim Smith called the new non-profits charter management organizations—CMOs—to distinguish them from their troubled for-profit cousins, which had become known as education management organizations—EMOs.[12]

NewSchools was ambitious. The non-profit organizations would drive the expansion of the charter school movement, Smith told a charter school conference, creating thousands of new schools.[13] Conceived by Silicon Valley venture capitalists and born at the height of the dot-com boom, NewSchools not surprisingly sought out prosperous California entrepreneurs to bankroll its plans. But by 2001, the Internet business bubble had burst and NewSchools' funding lagged.

Fortunately for the organization, new foundations sympathetic to entrepreneurial school reforms were entering education. The Bill &Melinda Gates Foundation embraced CMOs in its pursuit of alternatives to dysfunctional urban secondary schools. The Walton Family Foundation, a creation of the Wal-Mart empire, saw charter networks as a way of expanding its commitment to school choice. And Walton and Gates were joined by three other emerging foundations established by wealthy entrepreneurs: The Doris and Donald Fisher Fund, named for the founders of clothing giant Gap, Inc; the Eli and Edythe Broad Foundation, established with money that Eli Broad made from founding homebuilder KB Home and financial giant SunAmerica; and the Michael & Susan Dell Foundation, a by-product of Dell's computer fortune.

The foundations funded NewSchools (and, later, charter networks directly) and within five years the organization had raised over $65 million to launch networks in Chicago, the San Francisco Bay Area, New York, and other cities and support other entrepreneurial ventures in education.[14] In 2005, Walton, Fisher, and other foundations launched a second organization to support CMOs, the Denver-based Charter School Growth Fund. Led by John Lock, a former investment banker and charter school principal, the Growth Fund pledged to create 100,000 seats in high quality charter schools by 2015 through $150 million in grants and loans.[15]

Today, NewSchools is funding Achievement First and 16 other charter management organizations enrolling 54,000 students, the vast majority of whom are African America or Latino and over three quarters of whom qualify for federally subsidized school meals. The Growth Fund is supporting 19 networks, including a number that NewSchools funds, enrolling roughly 34,000students.[16] But the school networks have faced a host of challenges that have slowed their expansion and, in some instances, put their sustainability at risk. The difficulty of building networks of schools that achieved high levels of academic quality "was highly underestimated by all of us," Mitchell told a symposium on charter management organizations sponsored by the University of Washington's Center on Re-inventing Public Education.[17]

<u>Bricks and Mortar</u>

One major challenge is that the charter networks have had to work in a hostile political environment. Many school boards, teacher unions, and other representatives of traditional public schools don't like charter schools competing for their students. It's not by accident that school boards make up 90 percent of the organizations permitted under state laws to approve the creation of charter schools, but have authorized only 50 percent of the nation's 4,600 charter schools. The other 10 percent of charter schools authorizers—universities and other institutions that aren't threatened by the independent public schools—have approved the other half.[18]

The same organizations in many instances have sought the caps on charter school growth that exist in 27 of the 40 states that allow charter schools (the District of Columbia permits charters and has no cap).[19] But competitive pressures on charter school networks come from within the charter school community as well as without: "Existing charters sometimes aren't the most enthusiastic supporters of lifting caps [on charter growth]," Todd Ziebarth, vice-president for policy at the National Alliance for Public Charter Schools, told an audience at a national charter school conference in New Orleans last summer.

An early argument for charter schools was that they would replace the bureaucratic culture of traditional public schools with a more enterprising ethos because they'd be free from teacher collective bargaining contracts and many state and local education regulations. But as a result of an unfriendly political landscape, many charter schools haven't ended up with as much independence as expected. Wisconsin law goes so far as to allow local school districts to dictate charter school curricula, Ziebarth told his New Orleans audience. And already-wary state regulators have cracked down even harder following high-profile cases of academic failure and financial malfeasance in charter schools in several states.[20]

And the more locales CMOs work in, the more regulations they face in curriculum, teacher licensing, and a host of other areas. The California teacher retirement system goes so far as to require charter networks to operate separate teacher pension plans in every county in which they have schools. And most states require CMOs to have a separate board of directors for every school, a tremendous recruiting and management burden for many charter network executives. Says Steven Wilson, president of Ascend Learning, a new CMO in Brooklyn, New York, and chief executive of former for-profit management company Advantage Schools, Inc: "At Advantage, every new state and school district was a complete one-off. It was like starting a different new business everywhere at the same time."[21]

Advantage, like Edison and other EMOs, opened schools nationwide to increase revenues as fast as possible to make themselves more valuable to investors. But CMOs trying to expand their reach have been slowed by the same challenges—and costs—of working in multiple regulatory environments.

Another challenge—and a significant threat to CMOs' financial viability—is the fact that most CMOs, like most charter schools, must find and finance their own buildings. "Facilities questions dominate," says Susan Colby, a founding partner of the Bridgespan Group, a San Francisco consulting firm that has worked with charter networks on their business models.

Only 10 states and the District of Columbia give charter schools per-pupil funding annually for facilities, and only three provide them with more than $1,000 per student.[22] The District of Columbia in 2008-09 gave charter schools $3,109 per pupil in facilities funding and the money—no less than the city's many dismal public schools—explains why Washington's supply of charter schools is large enough to enroll more than a third of the city's students, and why for-profit school management companies have targeted Washington.[23]

Nor can CMOs use the bricks-and-mortar funding strategies available to traditional public schools—handing the bill to taxpayers or borrowing by issuing bonds. Because charter schools can't levy taxes (local property taxes produce nearly half of the nation's public school revenues), they can't raise facilities funding directly or do so by borrowing against future property tax revenues. Only Michigan allows charter schools to issue government-backed, tax-exempt bonds, which permit traditional school systems to borrow for construction at low rates (because the purchasers of tax-exempt bonds are willing to take lower interest rates—usually 2 to 3 percentage points lower—in return for not having to pay taxes on the income).[24]

For their part, private lenders have tended to rate charter schools as high-risk enterprises and have charged them higher interest rates—or not lent to them at all—because the schools are often small, located in unstable neighborhoods, and subject under state laws to having their doors closed.

California voters in 2000 required public school systems to provide buildings to charter schools—making California the only state to do so.[25] But the referendum hasn't been much of a boon to CMOs: charter schools have been in California's courts at least eight times to get districts to comply with the law, and those that do often charge hefty fees and put charters in lousy space or last-minute locations.[26]

Leadership Public Schools, a Bay Area charter network, opened a high school in Campbell, California, just south of San Jose, in 2006, and faced three moves in three years. The school started in a church basement. Local officials then put it in trailers behind a regular public school. The next year, Campbell officials proposed moving the schools into a different set of trailers at a school seven miles away. Lacking transportation, many of the school's impoverished Latino students instead enrolled elsewhere. Without enough students and struggling academically, the school closed. In other states, public school officials routinely refuse to let charter schools use empty school buildings, while Minnesota bars charter schools from buying buildings.[27]

As a result, CMOs spend immense amounts of time and money finding places to teach their students. They've launched schools in Boys and Girls clubs, strip malls, retrofitted groceries, and many church basements and former Catholic schools. "I spend 90 percent of my day on facilities," says Allison Fansler, the president of KIPP DC, a network of four schools in the District of Columbia that is hoping to open three more schools in 2009-10. In addition to Fansler, KIPP DC employs a director and an associate director of real estate and a director of growth and new initiatives, who spends 75 percent of her time on real estate financing. The organization has spent $33 million on a new 920-student elementary-middle school complex and is scheduled to spend another $26 million renovating a leased District of Columbia school building.[28]

KIPP DC is hardly alone in making big infrastructure investments. Green Dot Public Schools, a Los Angeles CMO, was given a failing hospital in Inglewood for $1 and assuming $1 million of the hospital's debt. But the organization had to do $6 million worth of reconstruction to turn the building into a 500-student high school. Achievement First is building a new, $31-million home for Amistad middle and an elementary school (with $24 million in state money), and it is teaming up with the New York City school system and a second charter management organization called Uncommon Schools to create a $140-million campus to house two high schools of 800 students each in Brooklyn, New York.[29]

In the absence of traditional school facility financing, an ad hoc network of non-profit organizations has evolved to help finance these and other expensive charter school projects—both through direct grants and loans and by enhancing the creditworthiness of charter schools to make them more attractive to commercial lenders and bond underwriters. About a dozen national, state, and regional community development organizations, including New Jersey Community Capital and the Illinois Facilities Fund, have added charter schools to their traditional focus on building new housing and other infrastructure in impoverished neighborhoods.[30]

They've been joined by national foundations like Broad, Walton, and Annie E. Casey; venture philanthropies like NewSchools and the Charter School Growth Fund; and about a dozen new, non-profit enterprises focused exclusively on charter school facilities, including Civic Builders in New York City. Launched in 2002, the non-profit real estate developer bundles money from the city's school system, philanthropies, commercial lenders, and various state and federal construction programs to buy real estate and rent it to charter schools at below-market rates. The organization has spent $227 million developing nine schools, including the retrofitting of a Brooklyn ice cream factory to house an Achievement First elementary and middle school.[31]

Together, the non-profit sector has generated about $600 million in charter school facilities funding, estimates the Local Initiatives Support Corporation, a New York-based umbrella group.[32] The federal government has been a catalyst for much of the spending. Since 2003, the U.S. Department of Education has supplied states and non-profit organizations with about $160 million for loan guarantees and other charter school credit enhancements, and has given charter funding incentive grants worth about $50 million to a handful of states—monies that have leveraged $400 million in charter facilities financing. Three other federal agencies—the Department of Agriculture, the Treasury Department, and the Federal Emergency Management Agency—over the past decade have supplied modest tax credits, bond funding, grants, loans, and loan guarantees for charter school financing in low-income communities.[33]

The federal backing has helped pave the way for several major banks to become charter lenders; among them, Citigroup, Prudential Financial, and Bank of America each have lent charter schools over $100 million over the years. Some states have established grants, loans, and loan-guarantees for charter schools, under the federal programs and their own. And though only a single state lets charters schools issue bonds, many of them permit other public agencies to sponsor them on behalf of charter schools as "conduit issuers." Michigan, Colorado, Massachusetts, Texas and the District of Columbia have been the most active, sponsoring $1.2 billion in bonds on behalf of charter schools since 1995 (another reason for the proliferation of charter schools in the nation's capital).[34]

But these initiatives have fallen short of the demand for charter school facilities funding (as a measure of the scale of bricks-and-mortar spending in education, *School Planning and Management Magazine* found that public school systems spent $21 billion on new construction, additions, and major retrofits in 2007).[35] And the crash of the credit markets has devastated charter facilities financing in the last year and a half. "The credit crisis has effectively closed the tax-exempt bond financing window for charter schools," says Joe Keeney, chief executive of a charter school consulting company, 4th Sector Solutions, and a former president of Edison Schools' charter school division, because charter schools tend to be rated as riskier investments. Borrowing from banks also has become much more difficult. Rates are rising for higher risk ventures like charter schools and fewer lenders are making charter school loans. "The lines are longer at the Bank of America," says Mitchell of NewSchools. As a result, it has become harder for charter management organizations to expand, and the higher cost of facilities financing has made it tougher for them to balance their budgets.

Even before the current crisis, the financial pressures of funding facilities led two leading CMOs to seek facilities partnerships with traditional public school systems. YES Prep sought out city school officials in an effort to cut costs and in the fall of 2007 opened Yes Prep Lee in a wing of Lee High School, a large, and largely dysfunctional, city school. "It seemed silly to replicate the city's infrastructure when it has a million square feet of vacant school space," says Barbic, adding that, "There is absolutely nothing out there now [in the financial markets with which to fund new charter school buildings]." YES Prep is paying about $112,000 annually to lease the space at Lee, compared to $140,000 at its other schools and the school is fully autonomous, thanks to Houston superintendent Abelardo Saavedra, who has been impressed by YES Prep's academic results.[36]

Green Dot has gone further, last fall converting Locke High School in Los Angeles into eight small charter schools under a contract with the Los Angeles Unified School District that gives the organization inexpensive buildings.[37] Launched in 1999 by Steve Barr, a political organizer and co-founder of Rock the Vote, Green Dot shifted its strategy of starting up stand-alone charter schools after opening a dozen of them, largely because of the cost. "The sheer amount of facilities and fundraising necessary to achieve meaningful scale precluded any individual charter developer from achieving systemic change," the company wrote in its 2007 business plan.[38]

Only in a handful of place, including New York City, have the charter school facility stars fully aligned. Since pledging in 2003 to make New York "the most charter friendly city," Mayor Michael Bloomberg and Schools Chancellor Joel Klein have provided charter networks like Achievement First, Uncommon Schools, and KIPP and a number of individual charter schools heavily subsidized space in under-enrolled city schools, subsidized custodial, maintenance, and security services, and the independence over staffing, budgets, and instruction.[39] With the annual funding that they get in New York City (some $12,440 per student, plus additional local and federal monies, a sum that Achievement First estimates to be between 80 percent and 95 percent of the funding that the city's traditional schools receive), Achievement First's New York schools are able to operate without philanthropic subsidies once they are fully enrolled, says chief financial officer Max Polaner—in sharp contrast to Amistad in New Haven. Says CEO Toll: "We expanded into New York because of Klein and because the dollars are doable."

But CMO executives traditionally haven't wanted to do business with public school systems, even under the generous terms that Bloomberg and Klein have offered in New York. "Historically, CMO people haven't wanted to sit in the same room with school district people," says Colby of Bridgespan, the San Francisco consulting firm. "They were the enemy." And because school systems typically view CMOs with the same lack of enthusiasm, partnerships are rare.

And apart from the challenge of facilities financing, many CMOs have to survive on substantially less state and local public funding than KIPP, Achievement First, Uncommon Schools, and other charter schools enjoy each year in New York City. In California, where every seventh U.S. student attends school, and where key expenses like teacher salaries are high, combined state and local spending averages only $8,830 per student a year—and the state's schools are facing sharp cuts as California struggles under a $24 billion deficit.[40]

Nor do charter schools in California and many other states get their full share of state and local tax revenues. Often at the urging of charter school opponents and skeptical state officials, many state charter school laws exclude funding for transportation and other subsidies given to traditional school systems. "We made some bad bargains to get the laws on the books," says Nelson Smith, the chief executive of the National Alliance for

Public Charter Schools, a charter advocacy group. "If charters were funded equally, they would be a lot closer" to being financially sustainable.

A major reason why Amistad requires philanthropy to cover its annual operations, for example, it that the school receives only about 75 percent of the state and funding of Connecticut's traditional public schools—$9,300 versus $12,300.[41] And if the school fails to fill its seats in any given year (it hasn't to date), and thus doesn't maximize its revenue, the funding gap would be even greater. Achievement First has concluded that it can't operate in the black with such funding disparities. "Until the gap is fully closed, we will continue to face an operating [deficit] in Connecticut," the organization writes in its 2008 business plan.[42] Says chief executive Toll: "Amistad is not sustainable with current funding. "I wouldn't start the school now knowing how much additional money the school has to raise to educate its students successfully." Scaling up charter networks in such funding environments is daunting, Toll says: "Fundraising for 250 kids is one thing, but the amount of resources needed for 10,000 is alarming."

The Cost of Quality

Even with facilities financing and a full or nearly full share of public operating monies, a number of leading charter management organizations would be financially fragile. That's because many of the features of their schools that they believe to be critical to their academic success are expensive. Just as an unfriendly regulatory environment is a significant threat to their sustainability, so is the economics of their educational models. Schools run by the most successful charter management organizations tend to be significantly smaller than traditional public schools. Smaller schools, the organizations' leaders say, make it easier to promote the tight bonds between students and teachers and the strong sense of community that they believe are critical to creating school cultures powerful enough to propel underprivileged students to success. "I know every kid's name," says David Ling, principal of the 255-student KIPP Bridge Academy in West Oakland, Calif. "That's something you can't put a dollar figure on." Leading CMOs report that their elementary, middle, and high schools average 300 students. That compares to 443 students in traditional public elementary schools, and 751 students in public secondary schools.[43]

That level of personalization helps charter networks reach their students with their relentless message about the importance of discipline, hard work, and academic achievement. When researchers asked KIPP's mostly middle school students recently what about KIPP was most important to them, 98 percent pointed to KIPP's emphasis on going to college.[44]

But you can put a dollar value on small schools, and it's significant. They are less efficient to operate because they have fewer tuitions with which to cover fixed costs ranging from principal salaries to office equipment. Bridgespan calculated a couple of years ago that Aspire Public Schools, which was struggling with California's low public school spending, could increase *net* revenue by $650,000, or 40 percent, in its elementary schools by adding a third class of students per grade, a step that would increase total enrollment from 392 to 588. But Aspire's leaders, believing that the small size of their schools was key to their success, instead increased the size of existing classes from 28 to 29 students, adding only $70,000 to each school's net operating income.[45] (Not surprisingly, EMO-run charter schools, in business to turn a profit, are typically over twice the size of CMO schools, while parents wanting small schools *and* small classes of under 20 students are now paying over $25,000 a year in tuition at a growing number of private schools.[46])

As a result, there's little financial margin of error in small schools. Failing to fill even a few seats often results in red ink. But staying fully enrolled is a struggle for schools in tough, transient neighborhoods, even those with strong reputations. While mayors and other political leaders clamor to bring respected brands like KIPP to their cities, and many CMO schools have waiting lists, recruiting students is nonetheless a tough job for even leading charter networks. KIPP recruiters hustle for students door-to-door, at Head Start centers, in grocery store parking lots, at churches, at the end of the day at traditional public schools, and, at KIPP Bridge, via notices on pizza boxes in housing projects.[47] "We fill our schools but we have to work hard to get kids," says Susan Schaeffler, the chief executive of KIPP DC, which runs the highest-performing middle school in the District of Columbia.[48] When I visited KIPP Bridge in a tough West Oakland neighborhood in 2007, the 300-student school had 40 empty seats that represented some $280,000 in lost revenue—nearly a seventh of its budget that year. "It kills you if you can't keep the enrollment you need," says a former KIPP staffer.

Many leading charter management organizations make their small schools even more economically inefficient by building them out one grade at a time. KIPP middle schools, for example, typically open with fifth-graders and as they move up the schools add new fifth-graders, until the schools are full, when the original students becomes eighth-graders. CMO leaders say the phase-in practice is critical to establishing a strong culture of discipline and achievement in their schools. And it allows schools to start-up in church basements and other economical spaces. But taking four years to fully enroll schools of only two or three hundred students requires charter networks to subsidize their schools' operating budgets heavily while diminishing the schools' attractiveness to mortgage lenders and bond underwriters. "It's a lot of risk," says KIPP DC President Allison Fansler of the organization's new, $33 million elementary-middle school complex, which opened in 2008-09 with 400 of 920 seats in its three schools
not scheduled to be filled immediately.

Even though many leading CMOs say building enrollment slowly has been key to their schools' successes, Bridgespan suggests the strategy may be too expensive to sustain. The consulting company's financial modeling has found that a California charter network with 10 high schools of 440 students each and balanced annual budgets would need to raise nearly 50 percent more philanthropy or other non-traditional funding to open its schools one grade per year rather than filling them on opening day—$27 million versus $16 million.[49] Many CMOs are in a tough spot: the collapse of the financial markets is going to make it more difficult to raise the resources they need to grow their schools slowly; but opening fully enrolled schools would likely make it tougher to get good student achievement results, a lesson that Edison Schools and other for-profit management companies learned the hard way.

As Achievement First had done at Amistad, many CMOs have expanded the traditional public school schedule substantially out of a strong belief that enabling disadvantaged to achieve at significantly higher levels demands more time than most public schools provide. KIPP, founded in Houston in the mid-1990s by two Ivy League graduates in Teach For America and now the nation's largest charter school network with 16,000 students in 66 schools, typically has students in school nine and a half hours a day, on Saturdays, and two or three weeks during the summer—60 percent more time per year than traditional public schools provide.[50]

To executives at the CMOs producing the strongest results, the extra time is critical. "It's not a nice-to-have, it's a need-to-have," says Toll. But lengthening the school day and school year is expensive. Teacher salaries and benefits are the largest component of school budgets and increasing them 20 percent to reflect teachers' expanded work loads in KIPP and other schools has proven hard for many KIPP schools without producing red ink in their budgets, says the former KIPP staffer. The inability of the highest-achieving CMOs to fully compensate their teachers for the long hours they work has contributed to high teacher turnover rates. For its part, Edison Schools, Inc (now EdisonLearning) abandoned its three-weeks-longer school year largely because it was losing money on many of the schools it managed.

Helping struggling urban students catch up to their middle-class peers doesn't end at the school house door for many CMOs. Travel is a significant, and expensive, part of building the "cultural capital" of students from disadvantaged backgrounds. KIPP students in the Bay Area camp in Yosemite National Park, study marine biology in Monterey, and take end-of-year trips to Washington, DC. Mike Wright of the KIPP Foundation, a San Francisco-based organization established in 2000 to build the national network of KIPP schools, says KIPP schools spend about $500 per student per year on such trips. To signal to its students the importance of going to college, Achievement First's Elm City College Prep Middle School, in New Haven, in 2008 sent groups of students on visits to top colleges in Maine, Georgia, and California.

Leading CMOs frequently support their students after they graduate. KIPP Bridge in Oakland, like many KIPP schools, has a foundation-funded high school placement director, who works to get graduates into the best possible public, private, and parochial high schools. The KIPP regional organization in New York has gone so far as to establish a non-profit called KIPP to College to provide summer internships, mentoring, tutoring, tuition to private high schools, and assistance in college admissions to the city's KIPP middle school graduates. Amistad is spending over $300,000 this year on scholarships and mentoring for its middle school alumni—about a quarter of the school's philanthropic support—in an attempt to sustain its students' progress.[51]

Like many charter networks, DC Prep, founded in the District of Columbia six years ago by Harvard MBA Emily Lawson, has hired more staff than originally planned to help meet its ambitious academic goals for its impoverished students. Among the additional hires at its flagship middle school are tutors, mentor teachers, and security guards. “We have a lot of adults because our students need a lot of support,” says chief operating officer David Leahy. Middle schools also require more staff because many teachers teach only one subject. And the District of Columbia funds middle schools at a slightly lower level than elementary schools. As a result, DC Prep’s original middle-school model is “not [financially] sustainable” on public funding, says Leahy—even with the $3,109 per student facilities stipend Washington charter schools have received.

In response, the organization has crafted a new plan that has its elementary schools subsidizing its middle schools by opening larger elementary campuses with pre-schools and pre-kindergartens to take advantage of greater funding, address students’ deficiencies early, and anticipate attrition, and then adding a middle-school grade each year. DC Prep has three schools now and the new business model forecasts that the organization will be financially self-sufficient with five elementary schools and five middle schools—if it can raise the $10 million to $20 million needed to open the new schools. “It’s hard” to make the numbers work, says Leahy. “It’s a service business, it’s all about people.”

The financial challenges of educating disadvantaged students is toughest in high schools, which are more expensive to operate than elementary and middle schools because they have to teach a wider range of subjects and hire more specialized teachers, and because many students have fallen far behind by the time they reach high school. Green Dot Public Schools is looking closely at it strategy of trying to save money by taking over existing public schools rather than start charter schools from scratch, says Marco Petruzzi, because the high cost of working with the academically challenging and often disruptive students at Locke High School may outweigh the savings of having an inexpensive facility. “We thought we’d spend less on transformation [rather than starting new schools from scratch] because we get buildings,” says Petruzzi. “But we’re spending a lot more on security, a lot more on special education.”

“High schools are very hard economically," says Toll. Achievement First’s New Haven high school is expected to operate permanently in the red. “The high school never gets there,” says CFO Polaner. “As is the case in traditional public school systems, it is subsidized by the [Achievement First] elementary school” in the city. But Toll argues that CMOs have no choice but to run high schools to give their students the help they need and promote reform. “The only way we can force the public school system to respond [with reforms] is if our results are truly compelling."

The MATCH Public Charter High School near Fenway Park in Boston suggests what it takes to produce the kind of results Toll is talking about. Opened in 2000 and housed in a former auto parts dealership since 2002, the 220-student school doesn’t have a selective admissions policy and 73 percent of its students come from poor families. But half the school’s ninth-graders graduate with two Advanced Placement credits and two college courses on their transcripts, and 99 percent of its graduates win places at four-year colleges.[52] *US News and World Report* has called MATCH one of the nation’s best high schools.

But the price of its impressive results is steep. Beyond a strong, can-do culture and mandatory summer school (five weeks for freshmen) and a longer school day (as long as nine and a half hours for some students), MATCH, which is not affiliated with a charter network, employs some 48 full-time tutors drawn from the ranks of the nation's top college graduates. They live rent-free in dorms on the school's top floor and the school pays about half of them $7,500 a year, while the other half are funded through the federal AmeriCorps program and college work-study grants. They provide every student in the schools with two hours of one-on-one or one-on-two tutoring daily. Tenth graders get an extra 100 hours to prep for statewide tests.[53] And struggling students are signed up for Saturday sessions. To pay for the extensive tutoring, MATCH spends some $17,000 a year educating a student, compared to $16,000 in the Boston Public Schools.

But MATCH operates without a library, gym, art, or music, says MATCH founder Michael Goldstein. And Cliff Chuang, until recently the coordinator of research and finance at the Massachusetts Charter School Office, a state agency, says the $17,000 figure excludes the AmeriCorp and work-study funding and a $3,200-per-student payment that MATCH makes annually on its long-term facilities debt.[54] Even with the substantial extra help MATCH gives its students, half of MATCH graduates take five years to earn diplomas (an added expense), and 45 percent of the school's entering freshmen transfer back to Boston's traditional public schools, lured in many instances by the city's less-stringent graduation standards.[55] Creating a network of MATCH schools would be very difficult.

MATCH's student attrition isn't uncommon. Tough standards, struggling students, grueling schedules, and transient families often lead significant numbers of students to leave leading CMO schools. A recent study by SRI International, an independent research organization, found that an average of 60 percent of the entering fifth-graders at four Bay Area KIPP middle schools left before graduating at the end of the eighth grade, and that the leaving students tended to be lower achievers.[56]

The departure of low-achieving students may result in greater average achievement gains or rates of college acceptance among graduates. But charter networks face a dilemma in trying to address the problem: losing substantial percentages of their students is difficult financially, but if their schools try to replace students lost in upper grades, they pay a heavy price by introducing new students who are not only lagging academically but un-socialized to the schools' unique cultures and thus often disruptive. As a measure of the scale of the problem, a third of DC Prep's new enrollees in 2007-08 were what's called in the industry "backfill students," those taking seats left empty by attrition.

Trying to help new students make up academic ground is so difficult, and represents such a substantial threat to schools' academic results, that a number of charter management organizations try to avoid taking backfill students, despite the financial consequences. Achievement First, for example, includes each of its elementary, middle and high schools in a single, K-12 charter that permits the organization to give admissions preference to Achievement First middle school graduates at its high schools. "Frankly, the dream was to bring in kindergartners only," says CFO Polaner, who notes that working with new students who are far behind academically and unfamiliar with a school's rituals and routines is a daunting teaching challenge.

To compensate for the cost of catching up struggling students, and to try to make ends meet with the revenue they receive, many leading CMOs have adopted the same strategy as Achievement First and MATCH and pared back their course offerings and their extracurriculars. "We go very cheap on facilities, athletics, art, foreign languages," says the former KIPP staffer.

Some schools have sought to bridge such gaps through partnerships with universities, Boys and Girls Clubs, and other organizations. But that's not always enough. Aspire's Lionel Wilson College Preparatory Academy, a combined middle-high school in a gritty East Oakland neighborhood where razor wire is plentiful, phased out its art and sports programs and doubled the size of its middle school in an effort to stay solvent. Former principal Adrian Kirk called Wilson's high school program "bare bones" during a conversation in his office at the school.

Teacher, Teacher

The finances of many leading charter management organizations would be even more precarious if the organizations spent as much as traditional public schools on teacher salaries. Staff is the single largest expense in schools, accounting for as much as 80 percent of spending, and charter network teachers tend to be considerably less experienced that their traditional public school counterparts, and thus less expensive.[57]

The U.S. Department of Education's National Center on Education Statistics reports that 43 percent of charter school teachers have three or fewer years of experience, compared to 18 percent of teachers in traditional public schools.[58] Elise Darwish, Aspire's chief academic officer, says the youthfulness of teachers in many leading charter school networks is reflected in the fact that only a handful of the teachers in Aspire's 21 schools are parents. The American Federation of Teachers reports, as a result, that the average teacher salary was $41,000 in charter schools a couple of years ago and $51,000 in traditional public schools.[59] A study by the Massachusetts Department of Education found an even larger disparity. Charter schools in the state typically spend 25 percent less per teacher than traditional public schools.[60]

One reason why leading charter school networks employ many inexperienced teachers is that their schools have been around for only a decade or less and the young teachers who have been drawn to them haven't yet approached the tenure of teachers in traditional public schools.

Another reason is that the demands of working with struggling and often challenging students, and the higher mobility among younger faculty generally, result in high teacher-turnover rates in many leading charter networks. Many teachers don't stay long enough to accumulate more seniority and higher salaries.

Teachers at leading charter networks put in long hours. The multi-year SRI study of Bay Area KIPP middle schools, the most intensive quantitative analysis done to date of a charter network, found that the schools' teachers work an average of 65 hours a week, 25 percent longer than teachers in traditional public middle schools. With enrollments reaching into the low 30s in some locations, classes in leading CMO schools are as large as, and sometimes larger than, those in surrounding school systems, because lowering student-teacher ratios is too expensive.[61] And teachers in the most ambitious CMOs do a lot of extra work that often doesn't get accounted for. Uncommon Schools found, for example, that its teachers each place an average of 924 phone calls to parents a year.[62]

Most leading charter management organizations try to pay their teachers more than their counterparts in nearby traditional public schools, to reflect the longer hours their teachers work. But many say they are able to pay only modest premiums in many jurisdictions. And while some organizations have sought to keep the teachers they have through performance bonuses the strategy hasn't helped much. "They haven't made much of a difference in retention, or performance," says Toll of the bonuses that Amistad pays. "Not for a couple of thousand dollars."

Sustaining a school design that's demanding on teachers has proven difficult in the past. Edison Schools, Inc., struggled with a substantially longer school year and abandoned the reform some years ago in the wake of teacher opposition, low end-of-year student attendance, and the initiative's high cost.[63] And the past may be prologue. The recent decisions by teachers in a handful of leading charter network schools—a three-year-old KIPP middle school in Crown Heights, Brooklyn, and three Chicago schools run by the Civitas charter network—to file for union representation may be a sign that teachers are struggling under the demands of their work.[64] Many teachers and principals in leading charter networks respond to interviewers' questions about their working conditions with answers like, "We're exhausted."[65]

And it's perhaps not surprising that the SRI International study found that the combined annual teacher attrition rates at the Bay Area KIPP schools was 18 percent, 40 percent, 31 percent, and 49 percent in the schools between 2003-04 and 2007-08. That compares to turnover rates of about 20 percent per year in traditional public schools serving impoverished students.[66]

CMOs' heavy reliance on inexperienced teachers presents the organizations with a difficult financial dilemma. Teachers who have spent more years in the classroom are more expensive. But most leading charter networks wouldn't be able to balance their schools' budgets if they had significantly higher percentages of more experienced teachers on their payrolls.

But charter networks are also likely to pay a high price if they continue to turnover teachers at high rates. They'll spend more on recruitment and training, and people throughout the organizations worry that it may be difficult to sustain the powerful school cultures that are so important to the organizations' success if substantial numbers of teachers leave every year. Both principals and teachers in Bay Area KIPP schools told

SRI interviewers that high numbers of new teachers undermine the culture systems in their schools, leading the researchers to wonder in their final report, "How much turnover can KIPP schools tolerate and still retain the essence of their cultures?"[67]

Nor is it clear that there's a sufficient supply of the talented, entrepreneurial educators that leading CMOs say they need to regularly replenish the ranks of their existing schools and meet the staffing demands of their expanding school networks. "We get thousands and thousands of applicants, and we reject thousands and thousands of applicants," says Lesley Redwine, director of external relations for Achievement First's New York City schools, making the heavy loss of the outstanding teachers they are able to hire particularly painful.

In a number of cities, CMOs compete intensely for the same teachers. Allison Fansler, the KIPP DC president, declined to share how much more her organization pays teachers than the District of Columbia public schools, saying, "That's exactly what every other charter in the city wants to know." "I wake up at 3 o'clock in the morning thinking about how we can not fight for the same people," Norman Atkins, the founder and former chief executive of Uncommon Schools, a network with schools in Newark, New York City, and Rochester, Atkins told me before he left Uncommon Schools to launch a new teacher-training initiative. Even in Boston, a city with one of the world's largest concentrations of top colleges and universities, charter school leaders say that having to compete against each other for talented teachers is the biggest barrier to their schools' growth.[68]

To date, leading charter school networks have attracted more than their share of top college talent to their classrooms. In a 2008 study for the American Enterprise Institute, Steven Wilson of Ascend Learning reported that 83 percent of the teachers in eight high-performing Boston charter schools attended colleges rated as competitive or highly competitive by the Barron's Profile of American Colleges, compared to 19 percent of public school teachers nationally.[69] Similarly, the SRI study found that 56 percent of teachers in the Bay Area KIPP schools attended the nation's most selective or highly selective colleges, compared to 9 percent of teachers nationally.[70]

Teach For America, the nonprofit that recruits top college students for two-year teaching jobs in underserved public schools, is the source of many of the recruits. The organization's alumni, for example, supply 28 percent of KIPP teachers nationally and 45 percent of KIPP's Washington, DC, teachers.[71] The Teach For America alumni magazine, *One Day*, is full of charter network help-wanted ads.

The organization is scheduled to send 3,700 new teachers into public schools this fall, the largest class in its nearly two-decade history.[72] It is drawing from an applicant pool that includes an astonishing 11 percent of all Ivy League seniors (and 20 percent African American Ivy League seniors). By 2015, TFA hopes to more than double its corps, to 8,000.

But TFA's expansion would only partially address the expanded demand for talented teachers among leading charter networks with plans to grow in the coming years. "Collectively we want to get to thousands of high-performing charter schools," KIPP Foundation chief executive Richard Barth told a Washington audience in early 2009. "At KIPP, on a scale of 1 to 10, we're at 2 in our sophistication on recruiting and developing teachers. But absent that [sophistication], you can't scale [the CMO movement]." Barth spent a decade at Teach For America and is married to Teacher For America founder Wendy Kopp.

Part of the challenge is that two-thirds of TFA teachers leave teaching within four years. And finding enough talented teachers is often tougher for charter networks outside of major cities. "Everyone wants to be in Oakland, it's the affordable, hip place for young educators to live," says Eric Premack, director of the California-based Charter Schools Development Center. "But two or three districts south, in Freemont or Eastside, where there's just as much need, you see every few charter schools." The picture is much the same nationally. KIPP and other charter school networks are clustering their schools in New York, Washington, and other major cities where the best and brightest want to live. In contrast, CMOs like the Cesar Chavez School Network in Pueblo, Colorado, struggle to attract top teachers, says Jim Ford, director of the charter school program at the Raza Development Fund, a community lending arm of the National Council of La Raza.[73]

Some charter networks have sought to bridge the talent gap by training their own teachers. Atkins left Uncommon Schools in 2008 to launch the Teacher U Training Institute at Hunter College in New York City, a project co-sponsored by Hunter, KIPP, Uncommon Schools, Achievement First, and the New York City school system. Established with city education funding and a $30 million grant from the Robin Hood Foundation, a New York philanthropy that Atkins co-directed earlier in his career, Teacher U hopes eventually to turn out 500 teachers a year for both charter networks and the New York City school system. The project, says James Peyser, a NewSchools executive, is helping the charter networks "turn the corner" on a problem that has slowed the organizations' growth dramatically in the past.

Similarly, with backing from NewSchools and other organizations supporting charter networks, the Academy for Urban School Leadership, a Chicago non-profit, has trained 240 teachers in six Chicago school sites since 2001 through a combination of coursework and a year-long residency under the tutelage of master teachers. But, as promising as they are, such programs are only small steps towards cultivating the human capital needed to scale charter networks significantly and, in the case of AUSL, they're more costly than traditional teacher education.[74]

Ultimately, Atkins argues, leading charter networks are going to have to put a lot more in teachers' regular pay checks for their schools "to be sustainable"—money that most of them don't have. To Wilson, the solution is for charter school networks to reduce their reliance on highly educated, TFA-type "super teachers," which he says is "not scalable." Instead, he says they should create "instructional scaffolding" in the form of packaged teaching guides and frequent testing that would permit “mere mortals” to teach successfully. Wilson’s new CMO, Ascend Learning, is built on this model.[75]

If teachers are a major challenge for charter networks, finding principals with the right mix of educational and entrepreneurial skills has proven even tougher. To a person, charter network leaders say their schools are only as good at the principals who run them. But with long hours and demands that range from schooling to business-building, the work of charter school principals is suited for few resumes. “It was a point of perverse pride that [running a KIPP school] had to be a job only for Superman,” says John Kanberg, a senior official at the KIPP Foundation, of the KIPP principals who followed founders Dave Levin and Mike Feinberg.

KIPP, like other leading charter networks, has struggled to recruit the right school leaders since its inception. . The first initiative of the newly created KIPP Foundation in 2001 was to launch a training program for KIPP school leaders and the organization signed up only a fraction of the trainees it sought because it “had a lot of trouble finding good people,” says Scott Hamilton, who drafted the blueprint for foundation.
`And school leadership remains a key challenge for KIPP and other leading charter networks. Last year, the KIPP Foundation polled its regional and local leaders on what they wanted most from the national organization. The response: “talent development.” So KIPP is spending $7 million in 2008-09 on six different training programs for 100 potential principals nationwide.[76]

Because traditional principals often lack the range of skills required to run KIPP and other charter network schools, principals in schools run by high-performing CMOs tend to be as young and nearly as inexperienced as their teachers. Aspire Public Schools hired four principals in 2006-07—ages 24, 25, 28, and 30. In contrast, the average public school principal is 49.[77] CMO leaders are candid about the consequences of having to put such youthful educators in leadership roles. “We send youth to climb mountains, they learn on the job,” says Shalvey, who is leaving Aspire in June to become a program officer at the Gates Foundation. Chris Barbic of YES Prep uses a different metaphor: “We’re pulling a lot of bread out of the oven before it’s fully baked.”

Like their teachers, CMO principals turn over rapidly. In a recent report on charter school leaders, *Working Without a Safety Net*, the National Charter School Research Project at the University of Washington reports that 71 percent of charter school principals plan to leave their jobs within five years.[78] With talented replacements in short supply and costly to recruit and train, and with many top charter networks seeking to open more schools, this level of turnover represents a substantial challenge to both the financial and educational bottom lines of charter networks.

The shallow pool of strong principal applicants has led some networks to recruit and train school leaders from within their organizations. And some CMOs have been helped by a non-profit organization called New Leaders for New Schools that has trained about 550 principals since its founding nine years ago, including 70 now working in charter schools. The organization combines nine weeks of seminars with a year working under practicing principals.[79] And Rice University has launched a small program that should help KIPP's Houston affiliate by training school leaders who earn both principal licenses and graduate business degrees.

But some charter networks in low-spending states say they can't afford the popular NewLeaders program. The organization noted on its website earlier this year that participants receive $70,000 worth of training and an average stipend of $80,000 during their residency year. To reduce costs, Aspire Public Schools, which has participated in the NewLeaders program in the past, in now cultivating its own principals more informally, says Darwish, the director of academic programs.[80]

The Central Office

To pay for hundreds of hours of additional teaching and other expensive elements of their school designs, and still balance their budgets, leading charter management organizations have bet heavily on saving money by having their networks of schools share the costs of everything from teacher recruitment to accounting, technology, and textbooks, and by standardizing learning materials and teaching strategies. "Customization," says Don Shalvey of Aspire, "is more expensive than standardization."

But big economies of scale haven't materialized for many charter networks. "The cost savings are smaller than they expected," write the authors of *Replicating High-Performing Public Schools*, a 2006 Bridgespan report. The high percentage of school budgets spent on teachers, facilities and other fixed costs often "dwarf" the savings that charter networks achieve by sharing other costs among more schools, they say.[81] "When 90 percent of budgets are staffing and facilities," says Eric Premack, the charter school consultant, "it leaves you only 10 percent of central [office] stuff like executive compensation, data systems, staff training, and legal compliance that can be leveraged [to help achieve economies of scale]." And some fixed costs like health benefits, says Ford of the Raza Development Fund, are rising faster than increases in government funding.

At the same time, CMOs have had to spend more money than expected on central administration attempting to ensure their new schools are as good as their original ones. They sought to have leaner central offices than traditional public school systems, wanting to push resources and authority down to their entrepreneurial school leaders. But streamlining their home offices has proven difficult to do. "Almost everyone has struggled to maintain quality as they have expanded," says Bridgespan's Colby. "It's one thing to be as good a failing district public school, it's another to be much, much better."

CMO leaders say they've learned that they can't expect their schools to be islands of excellence, that they need to give schools more help than they predicted, especially in the schools' early years. Mike Feinberg of KIPP: "We're finding that even great people need hand-holding." Mike Ronan, chief executive of Lighthouse Academies, a CMO with 11 schools in five states and the District of Columbia: "You need to have people coaching the schools." Toll of Achievement First: "We grossly underestimated the importance of curriculum when we started." Shalvey of Aspire: "We've been trying to hold up a 35-inch waist with a 25-inch belt."[82]

In most instances, leading CMOs have responded by making school quality a higher priority than balanced budgets, believing that they must spend money now to outperform traditional public schools significantly if they are to help their students and make a compelling case for charter schools in a difficult political climate. “There’s lots at stake in the early schools,” says Atkins, the Uncommon Schools founder. Top CMOs also have gravitated to more centralized organizational models as a way of reducing their reliance on superstar principals to get strong results, a strategy they think is more scalable.

Achievement First in the last three years has created a nine-member curriculum team to support its reading and math curriculum and testing regime. One of its tasks has been to create for the six-week math and reading units taught throughout Achievement First schools individual “scope and sequence” workbooks for students that are linked to state standards and tests.

In another measure of the substantial central support of Achievement First schools, the organization has hired administrators called “assistant superintendents” who are responsible for the operations of four to six schools each. And when schools struggle, the organization moves quickly. Displeased with middle school reading results in 2007-08, Achievement First hired the Haskins Laboratories at Yale to study the problem, sent staff to investigate charter schools with strong scores, and eventually changed the way it teaches reading network-wide.[83]

Other high-performing CMOs have become more top-down organizations as well. The network of 11 Uncommon Schools campuses in New Jersey, New York City, and Upstate New York adhere to a nearly 300-page instructional guide written by Doug Lemov, an Uncommon Schools executive and Harvard MBA. It details a wide range of techniques that teachers should use in their classrooms, including six different types of questions they’re expected to ask their students. Green Dot has an instruction model complete with course offerings, curriculum maps, textbooks, pacing guides, sample lesson plans, teaching strategies, and tests.

Even the KIPP Foundation, an organization committed to giving local school leaders ample autonomy (“the freedom to lead”), is supplying more resources and direction to its schools. When the foundation launched in 2000 “it was much more of a Johnny Appleseed model,” says former general counsel John Kanberg. “We threw seeds in the woods [trained talented people to lead new KIPP schools], and if they took, fine.” “There’s a cultural aversion [at KIPP] to anything that smells like a secret sauce,” he says. “It’s seen as anti-entrepreneurial.”

Between 2001 and 2005 KIPP launched 45 schools in 15 states and the District of Columbia. But despite KIPP’s widening reputation for excellence, the far-flung network struggled to deliver quality teaching. “We had a give-us-a-call, drop-us-a-line model and it pretty quickly became clear that it wasn’t working,” says the former KIPP staffer. Apart from sharing common KIPP rituals and routines, the schools’ classrooms were frequently a menagerie of teaching styles and strategies: In the SRI study of the Bay Area

KIPP schools, 96 percent of teachers reported that teaching materials and techniques varied as much within schools as between schools.[84] KIPP leaders concluded they had to intervene to protect the organization's brand.

They first sought to do so from the organization's San Francisco headquarters. Beginning in 2003, the KIPP Foundation started playing a much more active role in the lives of its schools— hiring a contractor to conduct school inspections, green-lighting growth only after vetting schools' financials, leadership, and boards of directors, producing an inventory of instructional "tool kits," sponsoring national meetings of school leaders and curriculum specialists. In response to the number of young, inexperienced teachers in KIPP classrooms, the foundation has begun building a Web-based network that will enable teachers to shareshare instructional strategies, lesson plans, and homework assignments that KIPP has hired consultants to help develop.[85] "To grow with quality, we need to help our new teachers get better faster, and the national office is taking a bigger role in making that happen,"" says CEO Barth, who was an executive at Edison Schools, Inc., before joining KIPP. Mike Wright, KIPP's liaison to its regional leaders, says the foundation uses the power of KIPP's trademark license to encourage its far-flung schools to embrace the foundation's increasing oversight. KIPP schools must pay 1 percent of their state and local funding in fees to the KIPP Foundation and comply with KIPP's program and performance expectations for the right to use the KIPP name.

To build wider bridges to its expanding network—17 new KIPP schools are opening this summer—the headquarters staff has increased to 70 and its operating budget is expected to be $22 million, money mostly raised from philanthropy.[86] But several years ago, the foundation concluded that even with its expanding resources it couldn't support its national schools network sufficiently from its San Francisco headquarters. That strategy became "unsustainable," says the former KIPP staffer. "You live your life at O'Hare Airport and schools aren't happy because they aren't getting much support." So in 2005, the foundation began organizing regional school networks, independent tax-exempt organizations with their own boards of directors. Today, 18 regional organizations provide clusters of KIPP schools with everything from fundraising to professional development and procurement. "This is a service business and you can't do it from 2,000 miles a way," says Barth, a lesson he says he learned at Edison Schools, which struggled to ensure the quality of more than a hundred schools spread over two dozen states.

High Tech High, a San Diego-based CMO, learned the same lesson. The organization launched a national network of charter schools, only to consolidate in the San Diego area after struggling to get schools farther away to follow its progressive, project-based teaching strategies. "It got diluted," High Tech High's Azul Terronez told me as we toured the organization's five-school complex on a former San Diego Navy base. "Schools would say, 'Yeah, we'll do your model,' but then wouldn't."

Networking has been a financial necessity for some CMOs, including the Bay Area KIPP schools. "If they did not figure out a way to [reduce costs by sharing recruitment, training, and other expenses] there was a clear danger that some of the schools might not make it," the SRI report concludes.[87] But in many instances the infrastructure that CMOs have built to support their schools hasn't been sufficient. "It's clear," the SRI researchers suggest, "that the network [of Bay Area KIPP schools] cannot provide as much support as the school leaders might like or need," especially in coaching classroom teachers.[88]

Aspire elected to put its expansion plans on hold this year in order to build out the systems its needs to get results in its classrooms, especially in its high schools. Says Toll of Achievement First: "We expand as fast as we can, as slow as we must." At many CMOs, that's a challenge made more difficult by pressure from foundations to scale up rapidly and, conversely, because they've struggled to find top instructional experts willing to work at charter school organizations. "Chief academic officer is the hardest job to fill nationally," says Joanne Weiss, until recently the chief operating officer of NewSchools.[89]

As CMOs have become increasingly active in their schools in pursuit of stronger academic results, they have begun to take on the complexion of the traditional public school systems that charter schools were founded to counter. "They walk and talk like school districts," says Premack, the California charter school advocate. And the irony of the increasing centralization of decisionmaking within CMOs isn't lost on their leaders. "We have to do this without killing the entrepreneurial spirit that's behind [charter schools]," says Barth of KIPP's expanding national and regional involvement in its schools. "If we don't do this right we'll lose the talented people we've attracted."

Another challenge is the cost of the expanding central offices. At a majority of leading CMOs, the offices are heavily subsidized by philanthropy. In an effort to become self-sustaining, leading charter networks are trying to pay for their central offices through fees that they charge their schools—typically, 7 percent of a school's revenues, say the organizations' officials and financial consultants. But such fees currently cover only about a quarter of the cost of CMO central offices, experts say, and the more home-office help that schools need to be successful, the more schools charter networks need to open to cover the costs. "Central office," says Mitchell of NewSchools, "requires more kids." [90]

Consider Aspire. Largely to cover the cost of its expanding central office in a low-spending state like California, it has had to ratchet up the number of schools required to run without philanthropic subsidies. Its original business plan, written in 2000, predicted that the organization would operate in the black with 35 schools in 2012. Its second plan, written in 2004, predicted self-sufficiency with 52 schools in 2014. And its current plan, drafted in 2007, estimates the organization will be financially sustainable with 65 schools in 2016. Aspire currently runs 21 schools.[91]

Charter networks walk a fine line between financial sustainability and school quality. Under Aspire's most recent business plan, the organization will have to reduce its spending on its central office from 16 percent of total revenue in 2008-09 to about 8 percent in 2016 in order to shed its foundation subsidies—while not compromising the quality of its schools—a step that includes reducing the ratio of central and regional staff to schools from 2.6 to 1.4. It won't be easy to hit these targets, as Aspire's decision to not open any new schools this year suggests.[92] "It's a big bet," says Shalvey of the effort to lower central costs without compromising quality.

Green Dot faces a similar dilemma. Under the organization's current business plan, the charter network needs to expand to 66 schools from its current 18 and shrink its central costs from 14 percent of total revenue to 6 percent to achieve financial independence. Until recently, Green Dot's financial models required that principals' salaries rise a total of only 7 percent over the first five years of a school's history, and that total spending on teacher salaries remains flat during that period—ambitious assumptions that the organization has since abandoned. But chief executive Petruzzi believes that charter networks in Los Angeles can be self-sustaining "if there is a real-estate solution."[93]

At Achievement First, the size of the organization's network has to double to 30 schools and central office spending has to drop from 16 percent of total revenue to 8 percent by 2013-14 for the organization to be sustainable.[94] Achievement First's central spending is only slightly higher than that of top charter networks as a whole: charter school finance experts like Keeney of 4th Sector Solutions say central office expenses currently amount to 18 percent of the total revenue among high-performing charter management organizations.

Edison Schools, the flagship of the for-profit school management companies, faced exactly the same organizational challenge—and failed. When the company opened its first schools, in 1995-96, its headquarters were on Fifth Avenue in Manhattan and its students where in Wichita, Kansas; Sherman, Texas; Mount Clemens, Michigan; and Boston. Home office expenses dwarfed the company's revenues. Edison's business plans required the cost of the New York and regional offices to drop to about 6 percent of total revenue for the company to turn a profit.

But despite expanding to 133 schools and 74,000 students in 2001-02, Edison was never able to get its central-office spending below about 18 percent of the company's revenues—a reason why Edison has lost over half a billion dollars since its founding.[95] Even though Edison spent extensively on Manhattan real estate and travel to far-flung schools, it couldn't spend enough to ensure its schools performed effectively. "Our schools need a lot of support, but we can't provide it and still make money, it's too costly," a senior company executive told me recently. CMOs aren't trying to turn profits, but they face the same cost-quality dilemma. As the authors of *Replicating High-Performing Public Schools* write: "Given the pressure to keep overhead low and the difficulty of raising funds for infrastructure…[CMOs must] either minimize home office and regional staff, or delay hiring." But those strategies, they conclude, "tend to create problems with quality down the line."[96]

One CMO that has paid a high price for a lack of central office focus on academics is Leadership Public Schools, a network of charter high schools launched in 2002. The organization hoped to open by 2012 over two dozen schools modeled after Leadership High School, a high-performing San Francisco charter school founded in 1996. It attracted nearly $8 million in philanthropy. But by 2008 the organization had only four schools, down from five the year before, and was struggling both academically and financially. The organization began to turn around with the appointment of a new chief executive in 2008, a veteran educator who began playing a more active role in the educational side of the organization's schools.

"The [economics of the charter management] movement was premised on there being a ton of central office waste in traditional school districts," says Ford, who has served as a financial consultant to both CMOs and the foundations that fund them. "But the lie is in—all the money is not wasted. People in the charter movement were naïve about that."

Fragile Finances

The daunting challenges facing the most academically ambitious CMOs are reflected in the organizations' balance sheets. Interviews with many of the organizations' leaders and financial consultants and a reading of a number of CMO business plans reveal that nearly every prominent charter network is heavily reliant on philanthropy to cover costs.

They would be closer to funding their operations out of public monies alone if they weren't trying to expand. (They pay much of the cost of new buildings out of separate capital budgets. But some expansion costs, like teacher and principal recruitment, are paid out of the organizations' operating budgets.) And at least one charter network—Massachusetts-based Lighthouse Academies, a 10-school CMO founded in 2004—is now self-sufficient after clustering its schools in cities with adequate funding, though the organization has not achieved consistently strong results across its schools.

But many leading charter networks are in a race to make their operations sustainable without philanthropy—to balance their school budgets and fund their central offices with fees from their schools—before they spend their foundation funding, say the organizations' leaders and outside financial consultants.

That challenge is made more difficult by the fact that many high-achieving charter networks spent heavily on such things as extra administrators to help ensure their early schools' success, say observers like Barry Newstead, a partner at the Bridgespan Group who has helped several charter management organizations with their business planning. "Early on, they overspent to get good results, but it's not sustainable," he says.[97] Today's recession is also making the race to financial sustainability more difficult, as the collapse of the housing market and the wider recession have sharply eroded state and local tax revenues for public education. The economic meltdown, says Ford, is "wrecking havoc" with charter school finances, especially in hard-hit states like California.

Achievement First illustrates how fragile the economics of some of the best charter networks are. The organization's 2008 business plan assumed that the Connecticut legislature would provide the state's charter schools an additional $1,300 per student over the next two years, steps that would help close the state funding gap between Achievement First's schools and Connecticut's traditional public schools. But with the state reeling from the impact of the recession, Achievement First is not going to get the extra funding, at least not in the next two years. The result: the organization must raise additional philanthropy to cover the gap and it's now scheduled to become sustainable in 2018-19 rather than 2016-17, if the state eventually comes through with the money. If it doesn't, says CFO Polaner, "we may have to pull out of Connecticut." [98]

Doing "whatever it takes" at leading charter networks often requires more resources than many public school systems have. When I asked Atkins and Carolyn Hack, Uncommon Schools' chief financial officer, if they believed that Uncommon Schools could survive on the regular public school funding in California, they said, "it would be a very different ballgame." Even in New York, a state that funds public education generously, Uncommon is targeting the highest-spending urban school systems for its expansion in the northern part of the state.

KIPP is straightforward about the fact that it's likely to require permanent philanthropic subsidies in its schools' operating budgets in some parts of the country. Says Mike Wright: "Our California schools are never going to operate off of public funding alone. We'll rely on some level of philanthropy [to cover our operating expenses]." The authors of the 2008 SRI International study of KIPP's Bay Area schools concluded that the schools' "operating costs significantly exceed California's basic school funding level," and that "school leaders must add substantial fundraising to their many responsibilities."[99] Since the study's release, the state schools—traditional public schools and charters alike—have suffered billions of dollars in budget cuts.

But unlike Green Dot and Achievement First, KIPP hasn't sought to demonstrate that it's possible to ratchet up results for low-income kids dramatically on existing public school funding. "We're not in business to prove that we can deliver our model with the money that's available in any market," says Barth, KIPP's chief executive. "There are staggering differences in funding in the places we work. It's not possible to [run the KIPP program on public funding] everywhere we want to be."

The substantial funding for traditional public schools and the generous additional facilities funding charter schools have had in the District of Columbia would permit a KIPP school there to operate on about $50,000 of philanthropy once KIPP DC reached 10 schools in 2014, the organization's 2008 business plan predicted.[100] In contrast, a Los Angeles KIPP middle school, operating in a state where public school funding is much lower, required $400,000 in philanthropy before the recession, about 15 percent of the school's annual budget, says Marcia Aaron, KIPP LA's executive director, and KIPP LA schools have staffed more sparingly than their counterparts in places like New York and Washington.

But no charter networks have been spared by the recession. District of Columbia lawmakers recently cut the city's facilities subsidy by $75,000 a year for a school with 250 students.[101] Money is so tight that DC Prep has hired a collection agency to track down the upwards of $40,000 a year the organization is losing in unpaid lunch monies. "It very quickly becomes the cost of a teacher," says COO Leahy. And in California, where state education funding is likely to drop by at least 10 percent as a result of the collapse of the economy, charter networks are shedding staff and, in one instance, reducing sports practices to two days a week. Even before the economy plummeted, Ford, the charter school financial consultant, told me, “I’m scared that a well-recognized CMO is going to implode financially. Some of them have constant cash flow crises.” He mentioned two well-known charter networks in Chicago as examples.

Balls and Banquets

It has taken over half a billion dollars in philanthropy to sustain the CMO movement over the past decade. The giving has flowed to charter networks in large sums and small.

Atlantic Philanthropies, founded in 1984 by Chuck Feeney, co-founder of Duty Free Shops, announced in January 2007 that it was giving the KIPP Foundation $14.6 million over five years. Achievement First’s New Haven high school is housed in a renovated factory owned by Yale University. The university donates the $150,000 in annual rent to the school, it permits the school’s students to use its gymnasiums without charge, and it supplies the schools with 25 undergraduate tutors.

On the other side of the country, Principal David Ling at KIPP Bridge Academy in West Oakland paid $ 22,800 into a KIPP school fundraising collaborative and earned back $186,000 with which he funded after-school and summer programs, extended time, and an attendance clerk. And CMOs sponsor all manner of balls, banquets, and auctions to raise money. In 2006, before the financial markets crashed, the New York City-based Robin Hood Foundation raised $48 million, including nearly $20 million for the KIPP/Achievement First/Uncommon Schools high school, in a single night from Wall Street moguls at a 4,000-guest gala featuring entertainers Jay-Z and Beyoncé and celebrities like Tom Brokaw and Jon Stewart of “The Daily Show.”

But the bulk of the philanthropic funding behind charter school networks comes from five foundations—Broad, Dell, Fisher, Gates, and Walton. They are new foundations but have largely eclipsed the educational giving of Ford, Rockefeller and other of their industrial-era counterparts. Most of them have living benefactors who are committed to tackling the educational consequences of poverty, frustrated with public education’s performance, and partial to entrepreneurs and free enterprise.

The Seattle-based Gates Foundation, launched in the late 1990s and now the world’s largest philanthropy, alone has given charter management organizations $136 million, including $52 million through NewSchools. The foundation’s early education grants sought to strengthen high school graduation rates among disadvantaged students by replacing large, dysfunctional high schools with smaller, more personal learning environments. It began to fund charter networks after concluding that it was more productive to create such schools from scratch than trying to break up existing high schools.

The Walton Foundation has funded scores of independent charter schools as well as charter networks, and it has contributed to the Charter School Growth Fund and the Raza Development Fund. Walton and Gates have led a group of donors that have pledged $65 million toward a $100-million plan by KIPP co-founder Mike Feinberg to create a network of 42 KIPP schools in Houston over the next decade.

The Fisher Fund, headquartered in San Francisco, has been the prime mover behind the expansion of the KIPP network.[102] The Austin-based Dell Foundation has distributed $56 million to CMOs and related organizations since it began funding charter networks in 2005. And the Broad Foundation, headquartered in Los Angeles, has made nearly $95 million in grants to charter networks as part of a decade-long campaign to improve urban education.

The leading foundations also have provided substantial funding to Teach For America, New Leaders, and other organizations that supply key resources to charter networks, including the advocacy and technical support of groups like the California Charter Schools Association. Philanthropy made up $91 million of Teach For America's $110 million 2008 budget, while Broad, Dell, and Fisher have contributed $10 million each to TFA's impending expansion.[103]

The foundations' funding has been so important to the rise of charter management organizations over the past decade that executives like Petruzzi of Green Dot say flatly that the CMO movement "would stop in its tracks" without the foundations' funding. But philanthropy is often a difficult funding source to sustain.

It's possible that some as-yet-untapped philanthropy would flow to successful charter networks if they continued to prove themselves academically. But the biggest philanthropic players are already supporting CMOs. And some of them plan to prioritize excellence over expansion in their giving to charter networks. "We're going to be more highly focused on quality," says Lory Pilchik, an education portfolio director at Dell. Meeting performance milestones is going to be a *quid pro quo* for payments." A well-known network recently learned of the foundations' shifting priorities the hard way: a donor turned down the organization's request for a new grant on the grounds that the network was "hitting singles and doubles" in its classrooms, while the donor was now "only funding home runs."

Gates, the largest donor to charter networks, is shifting from making general grants to promote growth to more targeted giving to strengthen such things as academic standards, teacher quality, student assessment, and financial modeling, says Steve Seleznow, a deputy director of the foundation's education division. The foundation is close to funding a multi-million-dollar initiative to help charter schools finance facilities, Seleznow says. And it may include charter networks in a new strategy to invest heavily in school reform in several major cities.

The recession has reduced the endowments of many major foundations by upwards of 40 percent, and some donors to charter networks are reducing their giving proportionally. And the prospects of significant future philanthropic funding seem particularly slim for charter networks working outside of major cities like New York, Chicago, and Washington—what Lock calls "trophy markets." "If you are not a celebrity in the charter world and in a sexy market, it's difficult to raise money," says Lock, who recently left the Charter School Growth Fund and is being replaced by Kevin Hall, the chief operating officer of the Broad Foundation.[104]

Moving the Needle

Ultimately, it will be difficult for philanthropy alone to build out and sustain not just a few more handfuls of outstanding charter schools, but large networks of very high achieving school. That, it is increasingly clear, would require a large, and most likely sustained infusion of public funding—federal money, since state governments are reeling from the recession and in many instances are influenced by charter schools opponents.

Those inside the CMO movement have recognized this for some time. Last August, Mitchell and NewSchools co-founder and venture capitalist John Doerr argued for federal funding of charter management organizations in a *Los Angeles Times* commentary in which they acknowledged the movement's small scale. "The enormously promising educational innovations sprouting across the country, from South L.A. to Newark, N.J., to New Orleans," they wrote, "cannot be allowed to remain exceptions—pleasant human-interest stories about amazing but tiny programs."[105]

Since then, the landscape in Washington has shifted dramatically. The Obama administration is placing leading education entrepreneurs in key roles in the U.S. Department of Education and is likely to make charter networks eligible for large sums of federal money through the economic stimulus package and the 2010 federal budget.

The American Recovery and Reinvestment Act of 2009, the legislative vehicle for the administration's stimulus package, provides Secretary of Education Arne Duncan with no less than $5 billion in discretionary spending for school reform and he and his advisors have made clear that scaling up high-performing charter school is a priority. "The secretary and the president want a significant increase in quality charter schools, and a significant decrease in bad ones," says a senior education department official. In a video link to several hundred education entrepreneurs gathered under the auspices of the NewSchools in California in May, 2009, Duncan vowed to combine "your ideas with our dollars." He told the conference that the education department plans to make "big bets" on organizations that have "moved the needle" on student achievement.

Duncan is putting $650 million of the new money into a so-called Innovation and What Works Fund and has named a leading education entrepreneur, Jim Shelton, who had moved to NewSchools and later to the Gates foundation after co-founding LearnNow, to lead the initiative. Duncan advisors say there's likely to be a key role for high-achieving charter networks when the department announces guidelines for the program in the next several months. And though most federal education funding flows through states and school systems, charter networks would be eligible to receive What Works funding directly, because they're being treated as local school systems under the program.

Duncan also told the NewSchools conference that he was bringing another key player in the CMO movement, Joanne Weiss, the NewSchools chief operating officer, to

Washington to run a second program he has created with stimulus funding—a $4.35-billion Race to the Top Fund that is likely to be targeted at a group of states that pledge themselves to substantial school reforms, including the involvement of high-performing charter networks, Duncan's advisors say. Also under the stimulus legislation, the U.S. Department of the Treasury is empowered to issue $25 billion in real estate tax credits and Treasury's recently released guidance on the program notes that charter networks are eligible for the funding.

The Obama administration's 2010 federal budget also favors charter networks. Funding for the education department's charter school program would increase by $52 million, to $268 million, and charter networks would be eligible for the funding for the first time. In the past, the money has gone only to individual charter schools for start-up activities. And there's also $100 million in the budget to supplement the Innovation and What Works Fund. Federal funding of charter networks in the past has been limited to much smaller sums, such as the $7 million in Congressional earmarks that have gone to the KIPP Foundation and a handful of KIPP schools since fiscal 2005.[106]

But given the challenges of scaling and sustaining truly high-performing CMOs, and the troubling regulatory climate for charter schools in the states, the short-term infusion of federal funding in the offing would likely have to give way to sustained Washington funding—and a potentially tricky relationship with the U.S. Department of Education.

Would charter networks become, in effect, federal school systems? How would the department determine whether the networks have performed adequately? Using the No Child Left Behind Act? Charter network leaders themselves say that many state standards under the law don't ensure that students are educated adequately. More broadly, How would the federal government justify spending less money on the millions of urban students who don't attend CMO schools?

As an alternative to funding charter networks directly, the education department could give urban school systems substantial financial incentives to partner with successful charter networks. In doing so, the department could broker contracts that give the networks full funding, public school buildings, and the autonomy in educational design and staffing that they have now, in exchange for higher performance expectations than those required by the No Child Left Behind Act.

Urban districts could claim the networks' relentless commitment to readying disadvantaged students for college, instructional strategies, and strong test scores as their own.[107] The contracts could help districts deal with their growing backlogs of schools requiring restructuring under NCLB. As the Gates Foundation learned through its work on high schools, restarting failing schools from scratch produces stronger results than trying to turn such schools around, and charter networks could help school districts expand the restart model.

The Chicago school system, where Duncan was superintendent from 2001 to 2008, has taken steps in this direction. Under Duncan's predecessor, Paul Vallas, the Chicago

Public Schools became one of few urban school systems to sponsor charter schools. Then Duncan closed about 30 underperforming schools during his tenure and enlisted the charter networks that have emerged in the city to help launch some 60 replacement schools, aided by an external catalyst called the Renaissance School Fund, an organization sponsored by the Chicago business community that has invested $28 million in the initiative, says Phyllis Lockett, the fund's president.

Not surprisingly, Duncan in his new role as federal education czar has championed a role for charter networks in turning around failing public schools nationally. In his remarks to the NewSchools conference he talked about "turning around a thousand bottom schools" and the administration is likely to stress a role for charter networks in this work as part of a revamped and expanded $1.5 billion federal "school improvement" outlined in its 2010 budget. Traditionally, school districts have been given substantial latitude in spending that money, and many are likely to avoid CMOs unless they have strong financial incentives to work with them.

Facilities and a full share of state funding would strengthen charter networks' capacity to do this work, particularly in high-spending school systems. It's hard to argue that school systems shouldn't follow in New York City Chancellor Joel Klein's lead and give high-performing charter networks the use of public school buildings.[108] Another way to increase the sustainability of CMOs—and strengthen student achievement in impoverished communities—would be to make successful charter networks part of more-comprehensive strategies for countering the impact of poverty on learning. [see sidebar]

Ultimately, charter networks could help urban school systems move from the traditional model of owning and operating their schools to a performance-based system involving many providers, one that offers a wider range of public education options to families and is tied together by a fair and efficiency school-selection system, a strong public transportation system, and performance-based contracts for both traditional public schools and outside school operators like charter management organizations. New York City's high school system has a number of these features.

<u>No Guarantees</u>

But federal funding isn't going to guarantee large numbers of truly high performing charter schools able to close achievement gaps and transform urban education, or even the survival of the best charter networks today, the experiences of the past decade suggest.

The promising test scores that some of today's charter networks have produced don't fully reflect the magnitude of the educational challenge that today's reformers confront. As Barth, the KIPP Foundation's chief executive, said during a presentation at a 2008 conference sponsored by the Renaissance School Fund in Chicago, "You can be much better than the typical urban public school, but not doing well by kids." Students in the nation's highest-performing schools, he said, are "still performing at a level far beyond where our kids [at KIPP] are achieving."

The strong performance of some charter networks notwithstanding, it's not clear that the CMO movement can match the Obama administration's aspirations for high-quality charter schools without a lengthy effort. The Charter School Growth Fund reports, for example, that only 6 percent of the 340 organizations that have sought its support have met the organization's academic and financial standards for funding.[109] "There just aren't that many charter school operators that are well-positioned to expand with quality and efficiency," says Ben Lindquist, an executive at the fund. "The risk right now is that we will drastically over-estimate the capacity of the national charter sector to deliver new, high-quality seats for underserved families at a sustainable cost to the taxpayer." "At this juncture," Lindquist cautions, "it is very important not to open the flood gates too wide [through federal funding]. If we're not careful, we will get a large market segment that is littered with mediocrity."

So far, there isn't strong evidence that the charter sector has had a significant FedEx effect on traditional public school systems, even in the dozen cities where 20 percent or more of students are enrolled in charter schools.[110] "Charter schools do not…substantially help or harm student achievement in nearby traditional public schools," concludes a 2009 RAND Corporation study of all types of charter schools in five cities and three states.[111]

Part of the problem, KIPP co-founder Mike Feinberg suggested at an event in Washington in early 2009, is that most charter schools aren't achieving significantly stronger results than traditional public schools. "We don't know what the tipping point is," Feinberg said, "because we've never had a true test. If FedEx lost 50 percent of the packages it handled, the Postal Service wouldn't have tipped."[112]

If anything, charter schools are putting more pressure on Catholic schools, which are hemorrhaging students to charters because low-income families increasingly see them as tuition-free alternatives to parochial schools. The trend is contributing to the closure of urban Catholic schools, an irony, given the hope that charter schools would create additional educational options rather than supplant existing ones.

But it would be wrong to write-off the CMO movement as a "boutique" enterprise having scant relevance to conventional schools and the challenges of the urban districts that together educate millions of students.

The best charter networks have demonstrated that disadvantaged students can achieve at significantly higher levels than most do now. They have shown that the gaps in achievement on state standardized tests between students living in poverty and other students can be narrowed and—at Amistad and a few other places—even closed.

Apart from begin engines of innovation, experimenting successfully with a range of strategies to counter the impact of poverty on urban students, they have demonstrated the need to build strong schools from the inside-out as well as from the outside-in. They have embraced accountability and other regulatory reforms, but they have stressed the importance to their schools' success of creating a strong sense of community, a

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connectedness among students, teachers, and administrators. And they have shown that while educators need incentives to perform at high levels, they also need help.

And the leading charter networks have made a strong case for increased funding for disadvantaged students. Many of the education commentators who lavish praise on KIPP and other high-performing charter networks also argue that there is sufficient money for traditional public schools to educate students effectively, if only the money were spent more efficiently. Charter management organizations, much freer than traditional public schools to use their resources as they like, have put that proposition to the test and proven it doesn't apply in many parts of the country. To get strong results they have had to spend more money than they expected, and more money than has been available to them in many parts of the country—above and beyond the cost of their buildings and their lower state and local funding. Under the education models of the highest-achieving charter networks, it takes more to do more.

Many of today's education entrepreneurs didn't think their work would be so difficult. "There was some hubris among the entrepreneurs," says Mitchell of NewSchools. "There was some, 'I have an MBA from Wharton, I can do this.' A lot of them had to do some serious attitude adjustment." They've learned that creating a great school like Amistad in New Haven is one thing but creating Amistads throughout the urban education landscape is another.

But new education entrepreneurs also have brought a tremendous amount of talent and energy to the daunting challenges of urban school reform. They aren't dilatants. Some years ago, when Barth was in charge of Edison Schools' Philadelphia operation, he did an interview with *Fortune*. "I have a chart I stare at in bed at night," he told the magazine's writer. "There's an elementary school in the city with 1,200 students, where only 3.5 percent are proficient in math. I will change this, or die trying." He was serious.[113]

[1] *Amistad Academy Site Budget* (New Haven, CT: Amistad Academy, 2008).

[2] For example, a comprehensive study of five Bay Area KIPP schools, authors Katrina R. Woodworth, Jane L. David, Roneeta Guha, Haiwen Wang and Alejandra Lopez-Torkos report that the schools suffer from high student attrition and note that students who leave tend to be lower-performers.

[3] CMO enrollments based on Education Sector survey and calculations. Number of urban students living in poverty from William Hussar, National Center for Education Statistics, U.S. Department of Education.

[4] For Achievement First test data, see TKTKKTKTKKT. For number of schools closing achievement gap, see New Schools Venture Fund, *Annual CMO Evaluation Report, 2007-08*, March 2009, p 3, provided to Education Sector by Jonathan Schorr, NewSchools communications director.

[5] Stacey Childress and Caroline King, *NewSchools Venture Fund in 2004: At a Crossroads* (Boston, MA: Harvard Business School, 2007), p. 1-6.

[6] See Jeffrey L. Bradach and Nicole Tempest, "New Schools Venture Fund," (Harvard Business School, Boston: October 13, 2000).

[7] Kim Smith is a member of the Education Sector board of directors.

[8] Debra E. Meyerson, Rand Quinn and Megan Tompkins. *Bringing Resources Back In: Philanthropic Elites as Agents of Institutional Change in Education.* Working paper. Center for Philanthropy and Civil Society, Stanford University, 2009.

[9] *New Schools Venture Fund in 2004*, p. 4-5.

[10] See Thomas Toch, Super-Special Ed, New York Magazine, July 28-August4, 2008, p13 and Brian O'Reilly, *Why Edison Doesn't Work*, Fortune Magazine, December 9. 2002.

[11] See Molnar, Alex, Gary Miron and Jessica Urschel, *Profiles of For-Profit Educational Management Organizations, Tenth Annual Report* (Boulder, CO: Education and the Public Interest Center and Tempe, AZ: Education Policy Research Unit, 2008).

[12] *The Role of Philanthropic Elites in Creating a Form and Redefining a Movement*, p. 32.

[13] See Smith's commentary in "From Margins to Mainstream: Building a Stronger Charter School Movement," Public Policy Institute, Washington, DC. July 2003.

[14] *NewSchools Venture Fund in 2004*, p. 1.

[15] See http://www.chartergrowthfund.org/media/CSGF_Release_03_11_08.pdf

[16] For NewSchools Venture Fund, see http://newschools.org/portfolio/ventures and http://newschools.org/files/10YearReport.pdf. For Charter School Growth Fund, see http://www.chartergrowthfund.org/index.

[17] James Harvey and Lydia Rainey, *High-Quality Charter Schools at Scale in Big Cities: Results of a Symposium*. Center on Reinventing Public Education (Seattle: 2006), p. 1.

[18] Ibid, p. 8.

[19] National Alliance for Public Charter Schools, at http://www.publiccharters.org/aboutschools.

[20] See, for example, http://www.npr.org/templates/story/story.php?storyId=18613843, http://www.orlandosentinel.com/news/education/orl-special-charterschools,0,1100916.htmlpage, http://www.pasasf.org/charters/archive.html., and http://articles.latimes.com/2007/sep/05/local/me-charter5.

[21] *High-Quality Charter Schools at Scale in Big Cities*, p. 5.

[22] Elise Balboni, Eva Rainer, Clara Chae, and Kathy Olsen, *2007 Charter School Facility Finance Landscape* (New York: The Educational Facilities Financing Center of Local Initiatives Support Center, April 2007., p. 2.

[23] The facilities funding has made banks much more willing to lend money to charter schools in DC. See also, David S. Fallis and April Witt, *Public Role, Private Gain: Board Chairman, a Banker, Took Actions That Stood to Benefit His Employer and Customers*, Washington Post, December 14, 2008; Page A1.

[24] *Making charter school facilities more affordable*, p. 25-26.

[25] Ibid, 41-42. Some 26 states permit use of district facilities for charter schools, but districts have been reluctant to extend the opportunities to charter schools and few charters are in district buildings.

[26] On charter school legal challenges over facilities, personal correspondence with Caprice Young, former chief executive of the California Charter Schools Association.

[27] Ibid, p. 13.

[28] KIPP DC construction costs, personal correspondence with Allison Fansler, president of KIPP DC.

[29] Green Dot construction costs, personal correspondence with Marco Petruzzi, chief executive of Green Dot. Achievement First construction costs, personal correspondence with Max Polaner, chief financial officer.

[30] See *2007 Charter School Facilities Finance Landscape,* p. 1-5.

[31] Personal correspondence with Christina Brown, Civic Builders.

[32] Ibid, p. 2.

[33] The U.S. Department of Education provides grant funds through two programs administered by the Office of Innovation and Improvement: the Credit Enhancement for Charter School Facilities Program and the State Charter School Facilities Incentive Grants Program. The department has made credit enhancement grant awards totaling $160 million that have helped attract private capital to the charter sector and state incentive grant awards totaling $50 million to spur states to share in the public funding of charter school facilities. In addition, there are four other federal programs administered by diverse federal agencies that charter schools can access for their facilities needs, including the Public Assistance Grant Program administered by the Federal Emergency Management Agency, the New Markets Tax Credit Program and the Qualified Zone Academy Bond (QZAB) Program administered by the Department of the Treasury, and Community Programs administered by the Department of Agriculture.

[34] *Making charter school facilities more affordable*, p. 21-25.

[35] See http://www.peterli.com/spm/pdfs/constr_report 2008.pdf. School facilities expert Paul Abramson estimates that replicating the public education infrastructure would cost in the vicinity of $1.2 trillion.
[36] Correspondence with Chris Barbic, YES Prep chief executive.
[37] Correspondence with Marco Petruzzi, Green Dot chief executive.

[38] *Green Dot Public Schools*, Business Plan, (Los Angeles, CA: Green Dot Public Schools, January 2007), p. 10.
[39] See http://schools.nyc.gov/ChoicesEnrollment/SpecialPrograms/CharterSchools/ResourcesforSchools/Facilities.htm.

[40] For California spending, see http://www.ed-data.k12.ca.us/Navigation/fsTwoPanel.asp?bottom=%2Fprofile.asp%3Flevel%3D04%26reportNumber%3D16. For deficit, see http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/05/29/MNJ417THFK.DTL&type=politics.

[41] See Fawzia Ahmed, Jaan Elias and Sharon Oster, *Achievement First: A High-Performing Network of Charter Schools Faces Political and Patron Pressures* (New Haven, CT: Yale School of Management, 2006). The Thomas B. Fordham Foundation says that the average charter schools gets 78 percent of combined federal, state, and local funding. A U.S. Department of Education study puts the figure at 92 percent.

[42] *Achievement First Business Plan*, (Brooklyn, NY: Achievement First, 2008), p. 38, 45.

[43] Data on average size of CMO-run schools from Gary Miron and Jessica Urschel, *Profiles of Nonprofit Education Management Organizations, 2007-08*, Education Public Interest Center, December 2008, p. 7-8. For average size of traditional public schools, see U.S. Department of Education at http:nces.ed.gov/pubs2002/overview/table5.asp. See also the 2008 Achievement First business plan: "Having greater than three sections per grade creates schools that are too large to build a strong culture that AF has determined is critical to high achievement," p. 19.

[44] Katrina R. Woodworth, Jane L. David, Roneeta Guha, Haiwen Wang and Alejandra Lopez-Torkos, *San Francisco Bay Area KIPP Schools: A Study of Early Implementation and Achievement* (Menlo Park, CA: SRI International, 2008), p 55.

[45] Kimberly Wicoff, Don Howard and Jon Huggett, *Replicating High-Performing Public Schools: Lessons from the Field* (San Francisco: The Bridgespan Group), p 14. Also, Gary Miron and Jessica Urschel. *Profiles of Nonprofit Education Management Organizations: 2007-2008*. (Education Policy Research Unit, December, 2008).

[46] For size of EMO-run schools, see *Profiles of Nonprofit Education Management Organizations, 2007-08, p.8.*

[47] To protect against under-enrollment, low daily attendance, and attrition, many CMOs budgets for fewer students than they enroll. Green Dot's 2007 business plan for example calls for enrollments of 550 in the organization's high schools, but it budgets for 500—and even than number may be ambitious, because it assumes 95 percent daily attendance, an ambitious target with transient student populations.

[48] See http://www.kippdc.org/results.

[49] See *Replicating High-Performing Public Schools.*

[50] See Colin Hitt, "Houston, we'll have a problem—if Illinois retreats on charter schools," *Chicago Sun-Times*, March 26, 2007, available online at http://www.illinoispolicyinstitute.org/news/article.asp?ArticleSource=496. For KIPP's educational program, see http://www.kipp.org/01/whatisakippschool.cfm. For comparison to learning time in traditional public schools, see, Katrina R. Woodworth, Jane L. David, Roneeta Guha, Haiwen Wang and Alejandra Lopez-Torkos, *San Francisco Bay Area KIPP Schools*, p. 73.

[51] *Amistad Academy Site Budget*, *2008-09*, p. 2 and correspondence with Max Polaner, COO.

[52] See http://www.matchschool.org/.

[53] Ibid.

[54] See Cliff Chuang, *"Where Does the Money Go? Understanding the Economics of the Charter School Sector."* Available online at http://nacsa.aois.us/docs/Event_23/Chuang_07CSEOYFR_SummaryData_10.10.08r.xls.; see also Steven F. Wilson, "Success at Scale in Charter Schooling," Working Paper 2008-02 (Washington DC: American Enterprise Institute), p. 50.

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[55] See http://www.matchschool.org/about/improvement.htm. Studies have shown that the students who return to traditional Boston schools outperform students with similar backgrounds.

[56] *San Francisco Bay Area KIPP Schools*, p. ix.

[57] On the percentage of school spending on staff, personal correspondence with Karen Hawley Miles, president, Education Resource Strategies.

[58] US Department of Education, National Center for Education Statistics, Schools and Staffing Survey, 2003-04, Table 21. Available online at http://nces.ed.gov/surveys/SASS/xls/sass_2004_21.xls.

[59] *Survey and Analysis of Teacher Salary Trends, 2007*. (Washington, D.C.: American Federation of Teachers, AFL-CIO, 2008.). See http://www.aft.org/salary/.

[60] See Cliff Chuang, *Where Does the Money Go*?

[61] *San Francisco Bay Area KIPP Schools*, p. 35, 66. And U.S. Department of Education, Schools and Staffing Survey, Public School Teacher Data File, 2003-04, table 26.

[62] Uncommon Schools E-Newsletter, March 18, 2009, available online at http://www.uncommonschools.org/usi/newsAndEvents/eNewsletter/issue003/issue003sb3.html.

[63] Author interviews with Edison executives and staff.

[64] Teacher unions have long sought to organize charter school teachers, especially in cities with significant concentrations of charter schools. It would be a striking development if the teachers in the schools in New York and Chicago are successful in introducing traditional bargaining contracts into their schools, because leading charter networks have been successful largely because of their ability to operate beyond the reach of teacher unions and their demands that wages, hours, and working conditions be bargained.

[65] From author interviews and *Francisco Bay Area KIPP Schools*, p. 34, 63.

[66] *San Francisco Bay Area KIPP Schools*, p. x and 33, for the KIPP Bay Area schools and the attrition rates at traditional inner-city public schools.

[67] *Francisco Bay Area KIPP Schools*, p. 53, 80.

[68] Wilson, “Success at Scale,” p. 26.

[69] Steven F. Wilson, “Success at Scale in Charter Schooling” Working Paper 2008-02 (Washington DC: American Enterprise Institute for Public Policy Research, 2008), p 22.

[70] *San Francisco Bay Area KIPP Schools*, p. 8.

[71] KIPP national percentages from Michele McGloughlin, Teacher For America; KIPP DC numbers from Susan Schaeffler, chief executive.

[72] See http://www.teachforamerica.org/admissions/faqs/faq_after_the_corps.htm. Also see Morgaen L. Donaldson, *Teach For America Teachers’ Careers: Whether, When,*10 and *Why They Leave Low-Income Schools and the Teaching Profession* (Cambridge, MA: Harvard Graduate School of Education Project on the Next Generation of Teachers, 2008

[73] Teach For America data from the organization. TFA requires a two-year commitment. So two-thirds of its recruits are staying in the classroom twice as long as they're required.

[74] Barbara Miner, "Teacher's Revolving Door," *Rethinking Schools* 23, no. 2 (Winter 2008-09), available online at http://www.rethinkingschools.org/archive/23_02/door232.shtml.

[75] Ibid, 31, 36.

[76] Personal correspondence with Richard Barth, KIPP Foundation CEO.

[77] Aspire information from Don Shalvey, founder. Average age of principals in traditional public schools: U.S. Department of Education, Digest of Education Statistics, 2007. Principals in public and private elementary and secondary schools, by selected characteristics, table 82.

[78] Christine Campbell and Betheny Gross, *Working Without a Safety Net: How Charter School Leaders Can Best Survive on the High Wire* (Seattle, WA: Center on Reinventing Public Education, National Charter School Research Project, 2008), p. 15.

[79] See http://www.nlns.org/Results.jsp.

[80] Ibid.

[81] *Replicating High-Performing Public Schools*, p. 32.

[82] Feinberg quote: Harvey and Rainey, *High-Quality Charter Schools at Scale in Big Cities*, p. 7. Rowan, Toll, and Shalvey quotes from personal interviews.

[83] Ibid, p 49.

[84] *San Francisco Bay Area KIPP Schools*, p. 64.

[85] See Stacy Childress and Maura Marino, *KIPP 2007: Implementing a Smart Growth Strategy* (Boston,MA: Harvard Business School, 2008), p.14.

[86] Correspondence with Richard Barth, KIPP Foundation CEO.
[87] *Francisco Bay Area KIPP Schools*, p. 43.

[88] Ibid, p. 42.

[89] Central office staff comprised an average of 12.4 percent of the employees of the 17 charter networks in the NewSchools portfolio in 2007-08.

[90] For the contribution of school fees to central administration costs, see James Peyser, Building Successful CMOs,. Powerpoint presentation at NACSA Annual Conference, Oct. 27, 2008. Slide 11.

[91] Aspire business plans. Information confirmed by Don Shalvey, Aspire chief executive.

[92] Ibid.

[93] See *Green Dot Public Schools Business Plan* (Los Angeles, CA: Green Dot Public Schools, January 2007) and *Green Dot's Animo New School Template, 5-year Model.* Also, correspondence with Marco Petruzzi, chief executive.

[94] Achievement First 2998 business plan and correspondence with Max Polaner, CFO.

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95 Brian O'Reilly, "Why Edison Doesn't Work," *Fortune*, December 9, 2002. See also, Thomas Toch, "Super-Special Ed," New York Magazine, July 20, 2008, p. 13.

96 *Replicating High-Performing Public Schools*, p. 21.
]
97 Edison Schools faced the same problem. "We couldn't afford any early failures," founder Chris Whittle said several years ago. "Our schools were over-supported and over-engineered at the beginning." Brian O'Reilly, "Why Edison Doesn't Work," p 14.

98 Achievement First 2008 business plan, p. 46.

99 *San Francisco Bay Area KIPP* Schools, p. x. (Also, Anita Landecker, executive director of ExED, a non-profit consultancy to charter schools in Southern California who has worked with KIPP schools in Los Angeles, says: "KIPP's model does not work economically in our market. The revenue is too low and the costs are too high."

100 FOOTNOTE TK

101 Tim Craig and Bill Turque, *Council Reworks Fenty's Budget,* Washington Post, April 29, 2009; Page B1.

102 The Fisher family philanthropies had also committed $20 million cover the start-up costs of Edison schools in California. But he curtailed the initiative in the face of Edison's growing internal and external troubles.

103 Michele McLaughlin, vice president for federal and state policy, Teacher For America.

104 Ford of the Raza Development Fund points to networks like Arthur Academies in Portland, Oregon, the Cesar Chavez School Network in Pueblo, Colorado, and even KIPP-San Antonio as examples of networks that are doing well academically but are struggling to attract donors.

105 Cory Booker, John Doerr, and Ted Mitchell. "To save education, innovate," Los Angeles Times, August 31, 2008.

106 Source of KIPP earmarks is Steve Mancini, KIPP Foundation.

107 The KIPP schools in Columbus, Ohio, have a similar arrangement with the city's school system [[NEED ANOTHER SENTENCE OF DETAIL HERE].

108 The National Alliance for Public Charter Schools, a charter school advocacy organization is drafting a model state law to address many of these challenges. It includes, for example, a proposal for a State Charter School Commission with authorizing authority, would permit one charter school board to open multiple schools with a single charter, and lift charter school caps for organizations that achieve strong results with charter schools.

109 Ben Lindquist, Charter School Growth Fund, personal correspondence.

110 Washington, New Orleans, St. Louis, Tempe and Phoenix in Arizona; Cleveland, Toledo, Youngstown, and Dayton in Ohio; and Southfield, Pontiac, and Detroit in Michigan. See "Top 10 Charter Communities by Market Share," National Alliance for Public Charter Schools, October 2008.

111 "How Charter Schools Affect Student Outcomes", RAND, press release, March 18, 2009.

[112] The RAND study, the first to track student performance in charter schools over time, reported that there's "little evidence" that, on average, charter schools are producing results that "differ substantially from those of traditional public schools."

[113] Brian O'Reilly, *Why Edison Doesn't Work*, Fortune Magazine, December 9. 2002.

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