

RESEARCH BRIEF

Resource Allocation and Performance Management in Charter Schools: Connections to Student Success



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A consensus is emerging among researchers who study charter schools that general conclusions about whether or not charter schools nationally perform better than traditional public schools are difficult to achieve (Buddin & Zimmer, 2005). Rather than asking, “Are charter schools working?” the better questions to ask might be, “Which charter schools are effective and which are not?” and “What explains the differences between the two?”

In an attempt to address these questions, the current study focused on one unique charter school—the Chicago International Charter School (Chicago International or CICS).

KEY FINDINGS:

- Student achievement and EMO spending could not be linked.
- The success of Chicago International can be attributed to a mission-driven approach to education that focuses on high-quality instruction, insistence on a disciplined environment, and ongoing performance evaluation.
- Collaborative processes with EMOs and the clear delineation of duties between EMOs and the CICS central office also contribute to CICS success.

Chicago International is unique both for its academic successes and its management structure. The study sought to better understand CICS performance at both the systemwide and campus levels, focusing specifically on (1) resource allocation decisions by CICS-contracted education management organizations (EMOs)¹ and (2) CICS management practices to hold these EMOs accountable. The study was made possible through a partnership between Chicago International and researchers from the National Center on School Choice, which allowed for examination of student-level achievement data as well as annual audit data collected from 2003 through 2006 for CICS campuses.² The central research question of the study, which focused on Grades K–8, was: *To what extent can fiscal and operational decision-making processes used by Chicago International and its partner EMOs explain CICS student success?*

¹ In theory, because of their management autonomy and potential for innovation, charter schools and EMOs both may exhibit new resource allocation patterns that favor more student-centered spending, which may positively impact student achievement.

² Annual audits were conducted by Ostrow, Reisin, Berk, & Abrams, Ltd. The audits provide revenue and expenditure data for each CICS campus. The form of the audit data does not allow for comparisons to the Chicago Public Schools (CPS) budget data. Thus, researchers were not able to compare the spending of CICS campuses with expenditures for CPS schools.

A Unique Charter School

Because of its high academic achievement and efficient central management, the Chicago International Charter School (Chicago International or CICS) has grown to 13 different campuses since 1997. The central office of CICS covers a wide range of expertise and functions in many ways as a mini-district for its multiple campuses. With a sophisticated and active board of directors, CICS has been able to do many things that typical charters have not, such as issue its own high-grade bonds. The CICS campuses are run through contracts with four different education management organizations (EMOs) and educate more than 8,100 students.

Chicago International’s academic achievements have been documented in previous research (Hoxby & Rockoff 2005; Wong & Shen 2007) and by funding organizations as well. In its investment profile of CICS, the Charter School Growth Fund (CSGF) noted that it was investing in “CICS’ network-wide performance management system because it held promise for improving the performance of thousands of Chicago’s inner-city students, and because it had the potential to become a national model of an affordable, scalable way of supporting increased performance across a school district.”

Student achievement patterns cannot be linked, through statistical analysis, to differences in EMO spending across CICS campuses. The analysis of spending decisions was limited because of the lack of details in the audit data, which did not enable researchers to capture the richness of resource allocation decisions. This limitation supports one of Speakman and Hassel's (2005) four main conclusions—that there is a need for better financial data regarding charter finances. Although charter schools are required to submit annual reports, often the financial elements of these reports differ significantly across institutions and school types, making them hard to compare. In a RAND study of California charter schools, for example, researchers pointed out that although “a number of interesting questions relate to expenditures...these questions are difficult to answer given current data sources.” The data from this study do indicate, however, that CICS student gains are coming across the board regardless of student race and special education status.

From an operational and managerial perspective, the success of Chicago International can be attributed to a mission-driven approach to education that focuses on high-quality instruction in core academics, maintaining a disciplined environment, and evaluating performance according to individual student growth across core subject areas. As a portfolio manager, Chicago International hires EMOs that share its mission and vision and that are contractually obligated to meet specific goals in statutory compliance, site-based budgeting, curricular design, and student performance. The Chicago International central office is configured to assess the performance of each campus and EMO continuously, according to these targets. The use of performance-based contracting is a unique feature of Chicago International's management strategy. In order to hold each EMO partner responsible for the achievement growth of individual students on each CICS campus it manages, a performance evaluation system was designed and implemented.³ This comprehensive system enables Chicago International's chief academic officer to analyze student behavior (i.e., number of violations to the discipline code, attendance patterns, and grades) and

characteristics of the curricula in relationship to average growth on the Northwest Evaluation Association (NWEA) Measure of Academic Progress (MAP). Over the years, this system, along with state assessments and qualitative data, has enabled CICS to better understand variations in the performance of each campus and EMO partner.

CICS also believes in collaborative relationships with its EMOs. EMOs are actively engaged in the development of their yearly targets. Moreover, the data used to calculate contract “scores” are forwarded to the EMOs for their verification. If the EMOs disagree with the way that the data were gathered or analyzed, dialogue is encouraged. Chicago International believes it is important to reach consensus on both the targets and the data analyses. In addition, management adjustments need not always mean changing EMOs but also can take the form of the same EMO implementing changes developed in tandem with the Chicago International central office. Or, if one EMO has significantly lower growth scores or significantly more violations to the discipline code than another, alternative curricula or instructional strategies that have worked elsewhere within the network can be suggested.

Another key to the success of the Chicago International model is the separation of duties between the EMOs and the CICS central office. The contract between CICS and each EMO emphasizes that the EMO is responsible for all activities that occur “within the walls of the school.” For example, the EMO hires and trains all staff members, designs the curricular maps and instructional sequences, chooses the instructional materials, maintains the school environment, coordinates the after-school and out-of-school activities, and is responsible for family and community relations. The central office of Chicago International is responsible for all capital repairs and improvements to buildings; local, state, and federal compliance reporting; the relationship with the charter authorizer; and grant writing and fundraising. The goal of this delineation of duties is to keep the focus of the school administrators and teachers on the students, not on the bureaucracy inherent in public education or the tedium of building maintenance.

³ This system has the following components: (a) a shared student information system to be used across all CICS campuses, regardless of EMO; (b) use of the Northwest Evaluation Association (NWEA) Measure of Academic Progress (MAP) three times each year for students from Grades 3–8; (c) use of the NWEA MAP for Primary Grades three times each year for students from Grades K–2; and (d) use of ACT's Educational Planning and Assessment System for students from Grades 8–11.

Policy and Research Implications

Although the study was not able to identify the connections between EMO spending decisions and student success in the Chicago International Charter School campuses, the analysis makes clear the need for more comparable financial data as well as a method for reliably comparing charter and traditional school spending decisions. This research also serves as reminder of the fundamental challenge of capturing complicated management decisions in single financial indicators.

For policymakers, an important lesson to draw from Chicago International's success is that EMOs should be held accountable through a hands-on performance management system. Chicago International manages its EMO relationships according to student outcomes, not educational inputs. This model cedes great control to the EMO partner, which can be difficult when an individual school is not performing to its fullest potential. As an organization, the board of directors, central office staff, and EMO staff are continuously negotiating around the levers of control. During the next three years, Chicago International plans to study more closely the performance of its students and its relationship with campus autonomy among the EMOs.

Because of the narrow scope of the sample, the findings of this study are preliminary and may not be generalizable. Nevertheless, these findings have implications for ongoing debates over charter school funding. The analysis suggests that what matters for student achievement is not only how much money a charter school or EMO-managed campus is given but also the institutional incentives faced by campus administrators. The CICS system, with its emphasis on performance management and collaborative processes, is a promising system for replication.

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- This brief summarizes a paper that was prepared for the National Center on School Choice Conference held in October 2009. The full paper is available on the National Center on School Choice website (<http://www.vanderbilt.edu/schoolchoice/conference/papers/Wong-Shen.pdf>).

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