

# The Effect of Charter School Management Companies on School Outcomes: A Closer Look at Michigan Charter Schools and Their Operators

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*Charter schools began as an experiment to improve public education in the United States of America (Weil, 2000). The theory was that these schools would operate outside of traditional public schools and would be free of the oversight and regulatory requirements constraining the current educational systems, in exchange for increased accountability and performance (Lake, 2013). These new educational programs would be incubators of innovation and spawn new educational methods, addressing the challenges plaguing traditional public schools (Price & Jankens, 2016). The purpose of this research was to explore charter school performance in Michigan by looking closer at charter school operators – charter school management companies. By isolating factors that are unique to each charter school, this research drew additional conclusions and gained further insight into influences that impact charter school performance. The results of this study provide insight into how charter schools perform, specifically when looking at the differences in management styles. The results also illuminate the differences between charter schools by for-profit and nonprofit status.*

**Keywords:** charter schools, management companies, CMO, EMO, ESP, educational service providers, operators, performance, accountability

Public education in the United States is a diverse marketplace of school designs and approaches (Weil, 2000). From conventional (or "traditional") public schools, to private religious and non-religious/parochial, to charter public schools (or public school academies), these various types of schools allow for choice and competition (The Education Trust – Midwest, 2016). As a strategy to disrupt conventional educational systems to introduce new ideas and innovations, charter schools exchanged freedom for accountability (Finn, Manno & Vanourek, 2000). Charter schools have more flexibility than their traditional counterparts, not being tied to the legacy systems of conventional public school districts, including unionization. One key difference is in their unique ability to contract for educational services. This flexibility allows charter schools to outsource their teaching staff and operate completely privatized educational programs through tax-funded school revenues. Hotly debated, even after almost 30 years, the ability for a charter school to operate as a private entity provides tremendous flexibility and autonomy from the traditional approach of public schooling in America.

The theory espoused by proponents of these quasi-public/private entities is that private organizations are more efficient and effective than government-run institutions (Buckley & Schneider, 2009). Though profit-driven, they are also focused on outcomes – a key ingredient to establishing and maintaining strong enrollment. Their disciplined approach, use of data-driven practices, and desire to innovate are all positive attributes that for-profit management companies tout. With over 3.4 million students attending charter schools, a key question facing educators and policymakers is "how are charter schools performing?"

### **Problem Statement**

Unlike conventional district schools, the charter school's organizational structure includes two additional partnerships: the authorizer and management company (Price & Jankens, 2016). Charter schools do not operate autonomously like that of conventional district schools. Instead, they are inextricably tied to their charter-granting organization, and typically contract for educational services from a management company, or Charter Management Organization (CMO). CMOs, which can be not-for-profit or for profit, are private organizations that service charter schools. There are many designs – from providing only business services, such as bookkeeping, accounting, and payroll – to full service (or turn-key) companies; they own the land, building(s), furniture, all educational materials, including curriculum, textbooks and supplies, employ all the faculty and staff, and carry out all school operations. Although there are some studies that look at large national networks like KIPP and Green Dot charter schools, research that isolates CMOs and looks at performance across the spectrum is unavailable (Jankens & Weiss, 2017).

Therefore, the full outcomes of a charter school are not their own. They are influenced by their authorizer through various means, including the charter contract, educational goals, and authorizer expectations. Additionally, the CMO that services the school has at the very least, direct involvement into the performance of the charter program, if not being completely responsible for it (as with a full-service CMO). Consequently, additional research is needed to provide a clearer understanding of how CMO performance relates to charter school performance (Betts & Hill, 2006; Ertas & Roch, 2014). Much of the current research uses a direct comparison methodology, evaluating charter school performance to that of conventional public schools

Clark, Gleason, Tuttle & Silverberg, 2011). This approach does not take into consideration the complexities and uniqueness of the charter school operational structures (Davis, 2013; Duffy, 2014). Although there are some studies that look at large national networks like KIPP and Green Dot charter schools individually, research that isolates EPSs and looks at performance across the spectrum is unavailable. Seldom is charter school performance associated directly with Educational Service Providers (CMO) (Roch, 2015).

Therefore, the connection of a charter school to its CMO is a critical element in the school's performance. Yet, there is limited research studying the particular aspects of how schools perform based on their CMO, including size and type. The variations in organizational structure of these unique of these schools is worth further exploring to truly understand charter schools and identify the elements that influence their performance.

### **Purpose**

The purpose of this research is to examine the effects of charter management companies (CMOs) on charter school performance. Using Michigan charter schools as the unit of analysis, this research examined charter school performance by CMO type. By looking specifically at management companies and their design (e.g., size, for profit status), new conclusions were made about performance patterns and how charter schools are doing across various service providers. Addressing the inconclusive results of most current research (Davis et al., 2013; Lake, 2013), this study focused on the unique aspects of charter school CMOs when looking at whether these schools are performing.

This research focused on various aspects of school performance, including achievement, student growth, graduation rates, and overall school performance through Michigan's school accountability system. This focus provides a broader approach on the activities surrounding charter school operations that is lacking in the literature.

### **Literature Review**

During the 2019-20 school year, charter schools in the United States enrolled 7.2% of all public school students, serving more than 3.4 million students in the roughly 7,700 schools in operation (NCES, 2021). Charter schools in Michigan enrolled approximately 10% of the state's student population. During the 2019-2020 academic year, there were roughly 360 charter schools in Michigan located in both the lower and upper peninsulas. The three Michigan counties that comprise Detroit, which include Wayne, Oakland, and Macomb, account for approximately 60% of the state's charter school students. Even more, almost half or 47% of all public school students in the City of Detroit are enrolled in a charter school (MDE 2022).

### **Charter Management Organizations**

One of the unique factors of charter schools is the ability to contract for academic services (Price & Jankens, 2016). This form of "outsourcing" of teachers and administrators is a key element that allows charter schools to establish large multi-state networks. Although there is controversy around private organizations providing academic services to public schools, the ability for charter

school boards to select their particular operator allows for increased competition, ultimately improving student outcomes (Price & Jankens, 2016).

These charter management organizations or Educational Service Providers (ESP) as they are also called, are not-for-profit and for-profit organizations that provide contracted services to charter schools (Roch & Sai, 2015). There are many designs and approaches to these management companies, from providing business only services to being the entire charter school (e.g., curriculum, instruction, building and facilities, etc.). Per Michigan law, a charter school board may contract for services through a management agreement to provide comprehensive educational, administrative, management, or instructional services or staff (MCL 380.503c)

The schools in this study were services by 58 different CMOs: 216 schools managed by for-profit CMOs, 20 schools managed by not-for-profit CMOs, with 59 schools were declared self-managed.

### ***Management Company Services***

Boards may take a variety of approaches in the way they outsource services for their charter school. From purely contracting for business and financial services, to full, turn-key operations, the extent to which the management company is involved is determined by the specific model utilized (Roch & Sai, 2015). Some charter school boards opt to contract for limited services to retain control or ownership over the educational program. Sometimes referred to as "a la carte" management services, these arrangements are responsible for student learning squarely with the school's board. These management companies are not a party to the educational program; therefore, it is unclear whether they are accountable for the academic outcomes (Barnum, 2018; Stahl, 2020). Most charter school boards, however, elect to contract for additional services that, to a varying extent, implement the school's educational program. This may include limited academic services, hiring, training, and evaluating teachers and administrators while leaving curriculum decisions to the board, but may go as far as implementing the entire school model (Roch & Sai, 2015).

In the full-service operational approach, the boards give much of their involvement in the school's operations to the management company. Although they are still legally obligated to oversee the implementation of the charter contract, and the educational program, and retain all fiduciary responsibility, the management company controls all aspects of the school's operations (Benton, 2021). The board hires the management company in these relationships to fully implement its proprietary model. The board is then responsible for overseeing and evaluating the management company's performance, then adjusting or terminating the contract for poor performance (Roch & Sai, (2018). Though many network providers offer high levels of support and academic services, there is a wide variety of approaches that management companies take in providing services.

## **Conceptual Framework**

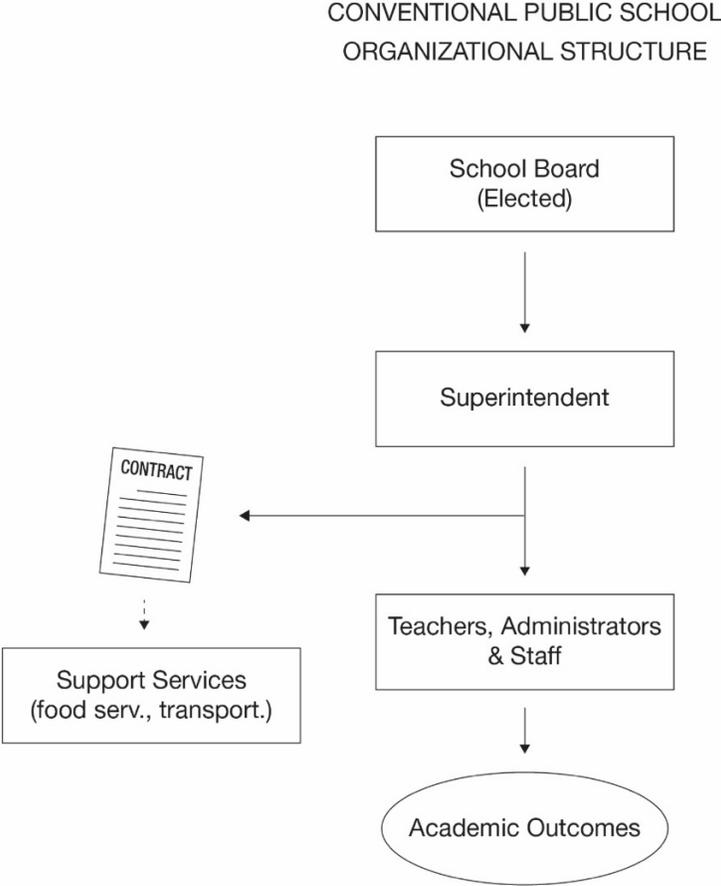
Because the charter school model has two additional elements that conventional districts don't have – the authorizer and management company – their organizational structure is unique to conventional public schools. Rather than all the accountability placed on the shoulders of the

school and district administrators and board members of a conventional district, charter school accountability extends to charter school management companies and authorizers.

The field of charter schools is still working this out in practice, as most of the accountability is still shouldered by the school itself (the board, students, and families). However, the outcomes of these programs are linked to the activities surrounding the authorizers and the school's management (Lubienski & Weitzel, 2010). Although management companies are technically separate organizations, they are contractually responsible for the operation and academic outcomes of the schools they serve (McShane, 2021).

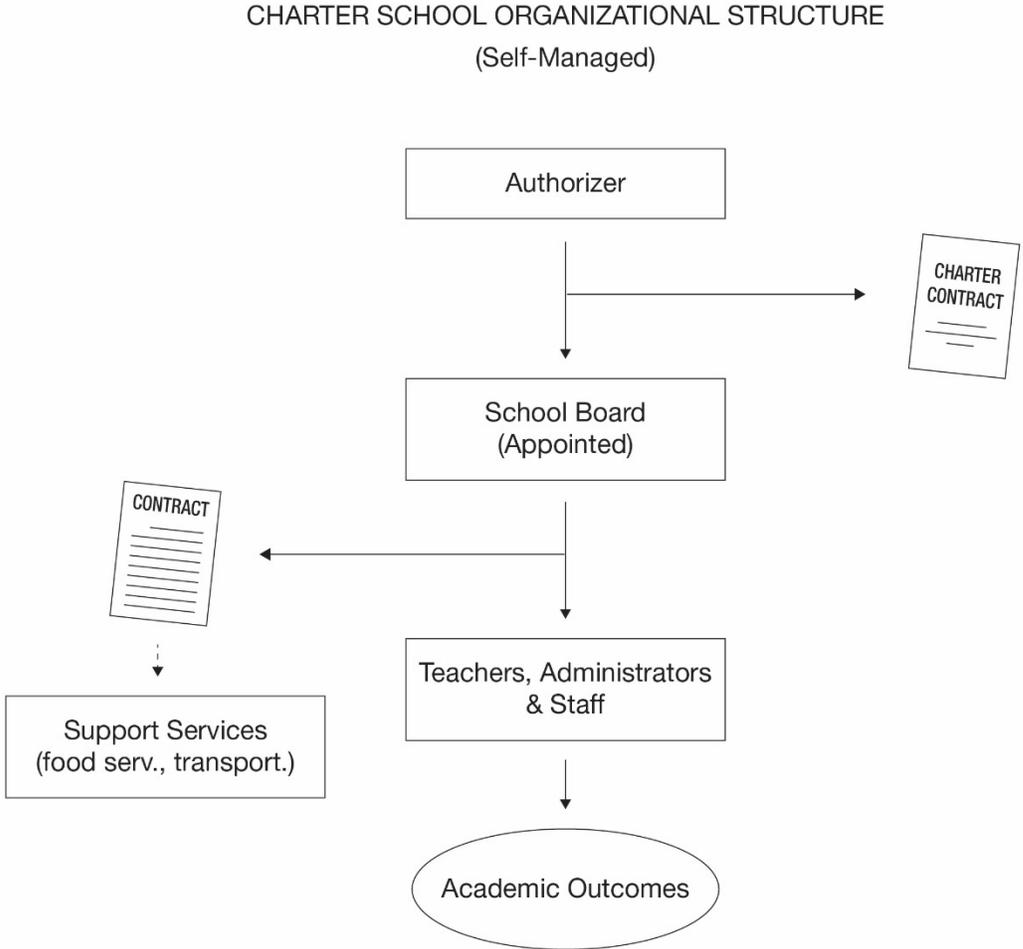
Figure 1 illustrates the conventional public school district's organizational structure within the United States. Although this model varies from state to state, it generally indicates the most common structures used. In conventional schools, the academic outcomes are directly connected to the school board, through the teachers, administrators, and school staff. Although they may not contract for educational services, conventional school boards may elect to contract for non-academic services, such as food service, transportation, and janitorial support.

**Figure 1**  
*Charter School Organizational Structure without a CMO (Self-managed)*



The authorizer of the charter school organizational structure adds an additional layer of oversight (Figure 2). Using a similar structure to that of conventional public schools, where the board is directly responsible for the outcomes of the academic program, self-managed charter schools retain traditional lines of authority. Self-managed charter schools may contract for non-academic services, such as food service, transportation, and business services (e.g., accounting, HR).

**Figure 2**  
*Charter School Organizational Structure without a CMO (Self-managed)*



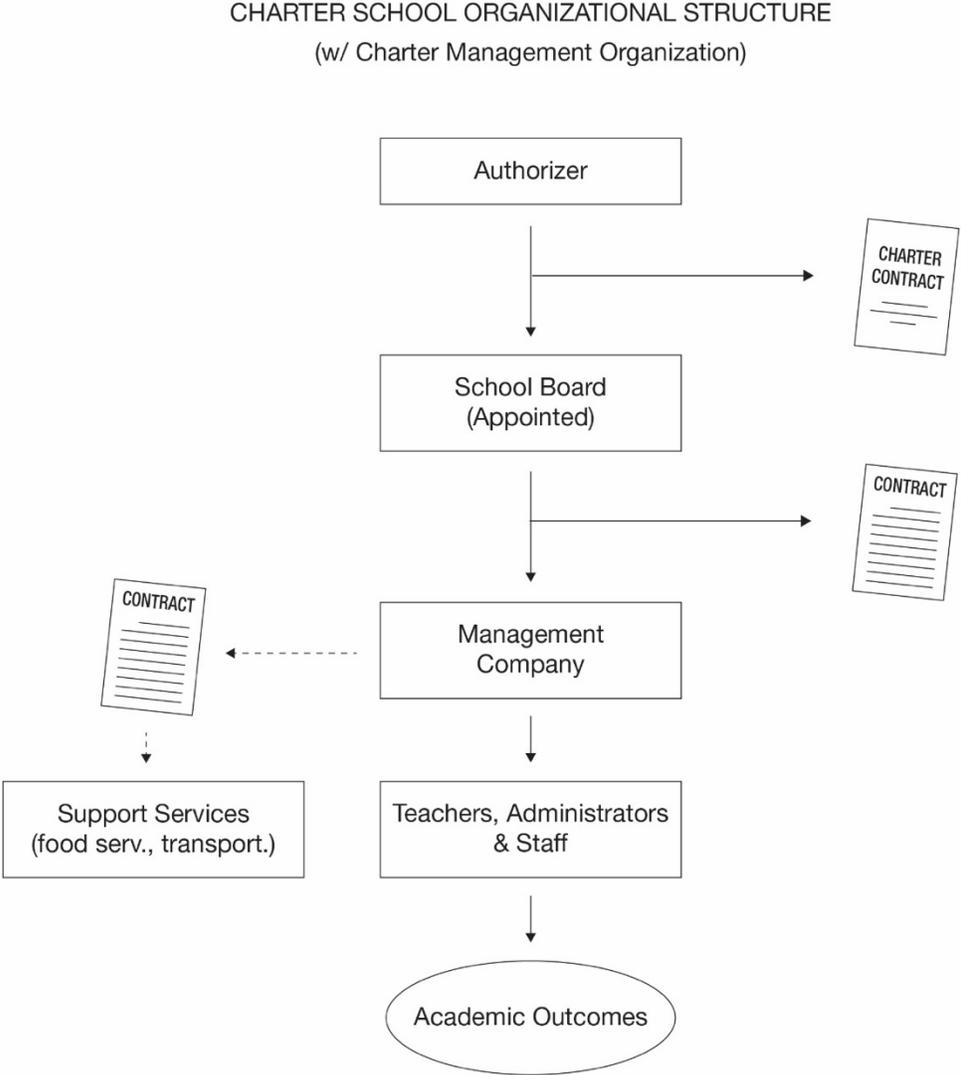
It should be noted that self-managed charter schools may contract with an outside organization to handle personnel activities, including human resources, payroll, and oversight, but no. Sometimes referred to as a la carte services, these business services, or "back office" services, are to simplify the administration of the charter school program. Although technically still management companies, these organizations do not provide academic services or oversee the educational program (e.g., curriculum, instructional activities, assessment, etc.). Therefore,

charter schools that elect to contract only for business services are not classified as having a CMO, and thus labeled self-managed.

In contrast, Figure 3 illustrates the charter school's operational structure that includes an educational service provider/CMO. Rather than the board being directly connected to the outcomes of the educational program, charter school boards transfer some of the responsibility, through the contract, to the management company. Therefore, the CMO is responsible for the academic outcomes of the program, at least in part.

Ultimately, management companies are integral in the performance of each charter school they operate. Many times, they *are* the school (e.g., full-service CMO). Therefore, evaluating charter school performance is directly evaluating management company performance.

**Figure 3**  
*Charter School Organizational Structure with a CMO*



## Research Questions

This research examined charter school performance in Michigan by CMO type. CMO type includes self-managed (no CMO), nonprofit, and for-profit organizations. By isolating the variables associated with a CMO, new conclusions can be drawn about patterns of performance and how charter schools are doing across various service providers. To fully explore the variables around the topic of charter school performance in relation to their CMOs, the following questions will be used to guide this research project:

RQ1: What effect does CMO type have on student and school performance?

Sub-questions:

1. Is there a statistically significant difference between CMO type and student achievement, as measured by the Proficiency Index?
2. Is there a statistically significant difference between CMO type and student growth in English Language Arts?
3. Is there a statistically significant difference between CMO type and student growth in Math?
4. Is there a statistically significant difference between CMO type and graduation rate?
5. Is there a statistically significant difference between CMO type and the Overall (Composite) Index?

RQ2: What are the top performing charter schools in Michigan, by CMO Type?

Sub-questions:

1. What are the top performing charter management companies in Michigan, by individual schools?
2. What are the top performing charter management companies in Michigan, overall?
3. What percent of Michigan charter management companies perform above the state average in overall school performance (Composite Index)?

The following null hypotheses were used to further test Research Question 1:

Hypotheses (Null):

H<sub>1</sub> There is no statistically significant difference between CMO type and student achievement, as measured by the Proficiency Index.

H<sub>2</sub>: There is no statistically significant difference between CMO type and student growth in English Language Arts.

H<sub>3</sub>: There is no statistically significant difference between CMO type and student growth in Math.

H<sub>5</sub>: There is no statistically significant difference between CMO type and graduation rate.

H<sub>6</sub>: There is no statistically significant difference between CMO type and the Overall (Composite) Index.

## Research Approach

The performance of a charter school is inextricably tied to the performance of the management company that services that program. This study used a quantitative, non-experimental research design to examine the variables associated with charter school performance by CMO type. These variables included student performance outcomes (achievement and growth), comparison data (state and district), and demographics (e.g., special education population, free and reduced-price school lunch eligibility, English Language Learner eligibility (ELL), ethnicity, and operational data (e.g., instructional, administrative, and operational expenditures, and fund balance).

Data was collected from the Michigan Department of Education (MDE) public database [www.mischooldata.org](http://www.mischooldata.org). Descriptive statistics were used to provide an overview of the schools and management companies, with specific inferential statistics used to test stated research questions and hypotheses. Specifically, a test of variance, ANOVA, was used to analyze the variables in Research Questions 1 and 2, and the associated null hypotheses.

## Methodology

### Population and Sample

There were 279 charter school organizations (classified as a district), with a total of 365 individual school sites in operation in Michigan for the 2018-2019 academic year (pre-COVID). A total of 314 schools met the criteria for a general education charter school, with 295 of those offering grades 3, 8, or 11, having posted scores, and being in operation for at least two years.

- 58 Management Companies Represented
- 15 Cyber Schools
- 206 Elementary (K-8)
- 59 Elementary and high school (some configuration of both primary and secondary)
- 30 High schools only

**Table 1**

*Sample by CMO Type*

CMO Type	# of Schools	# of Schools	Enrollment	% of Enroll.
For Profit	216	72%	60,866	83%
Nonprofit	20	7%	2,820	4%
Self-Managed*	60	20%	11,772	13%
Total	295	100%	75,458	100%

*\*Self-managed schools may include programs that contract for business services.*

**Table 2**

*Sample by CMO Size*

CMO Size	# of Schools	Ave. Enrollment	Total Enrollment
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1 School	26	279	7,696
2-5 Schools	62	225	13,951
More than 5 Schools	145	290	42,039
Self-Managed*	60	200	11,772
Total	295	257	75,458

\*Self-managed schools may include programs that contract for business services.

The strict discipline academies (SDAs) were removed for this study due to their unique format. Although cyber schools are a unique format to that of brick-and-mortar charter schools, they were included in this study as they follow the same schooling requirements and assessment administration, and thus the data is comparable.

### Variables

The independent variable used for Research Question 1 was CMO type, which included For-Profit (FP), Nonprofit (NP), and Self-Managed (SM) school programs. The Self-Managed variable had data for schools that only contracted for services solely for business and HR functions. The dependent variables for Research Question 1 included the Proficiency Index, ELA Growth scores, Math Growth scores, Graduation Index, and the overall School Quality Index.

**Table 3**

*Breakdown of Variables*

Variable	Ind or Dep	Variable Type
CMO Type (FP, NP, SM)	Independent	Categorical
Proficiency Index	Dependent	Continuous
ELA Growth	Dependent	Continuous
Math Growth	Dependent	Continuous
Graduation Index	Dependent	Continuous
School Quality Index	Dependent	Continuous

### Limitations and Delimitations

This study was limited to publicly available data collected by the state departments. Aggregate performance scores were used (not student level), so this analysis did not consider the school size as a factor. This study was limited to schools designated as General Education by the Michigan Department of Education that served kindergarten through twelfth-grade grades. Schools designated as Alternative Education, Special Education, and Vocational/CTE programs were removed.

### Analysis and Results

Before analysis, data were organized and coded following the parameters outlined in the variables section. Care was taken to address the normalization of the data, including the review of skewness and kurtosis and removing outliers. Once the data was prepared for analysis, descriptive statistics were calculated. The results of the descriptive statistics are presented below.

**Table 4**  
*Descriptive Statistics*

	<b>n</b>	<b>Mean</b>	<b>SD</b>	<b>Min</b>	<b>Max</b>
<b>Proficiency Index</b>					
For-Profit (FP)	216	47.4	24.7	3.2	100
Nonprofit (NP)	20	49.5	29.7	7.0	91.4
Self-Managed (SM)	59	40.2	29.4	3.9	100
<b>ELA Growth Index</b>					
For-Profit (FP)	213	55.3	23.3	4.8	100
Nonprofit (NP)	19	58.7	29.0	11.3	94.9
Self-Managed (SM)	59	46.9	27.8	4.3	100
<b>Math Growth Index</b>					
For-Profit (FP)	213	42.7	27.8	0	100
Nonprofit (NP)	19	43.5	22.7	6.4	87.5
Self-Managed (SM)	59	34.4	28.8	0	100
<b>Graduation Index</b>					
For-Profit (FP)	56	88.7	14.3	36.2	100
Nonprofit (NP)	5	68.9	35.2	13.0	68.8
Self-Managed (SM)	15	74.0	24.9	27.0	100
<b>School Quality Index</b>					
For-Profit (FP)	216	55.5	20.5	19.3	99.43
Nonprofit (NP)	20	55.5	20.5	19.0	83.57
Self-Managed (SM)	60	47.7	24.2	13.0	99.31

### Research Question 1

Research Question 1 was investigated through five subsequent hypotheses, with each focusing on the difference between authorizer type and a specific student or school performance measure. A one-way analysis of variance (ANOVA) was performed on each null hypothesis to determine what variance exists between the independent variable CMO type (FP, NP & SM), and student performance, serving as the dependent variable. The results of the analysis for each hypothesis are below.

Research Question 1, Ho1, investigated the difference between CMO type and student achievement, as measured by the Michigan Proficiency Index. An ANOVA analysis was conducted. No statistically significant difference between the means of the three CMO types was found (Alpha = 0.05) when comparing student proficiency results to CMO type. Therefore, the null hypothesis was accepted. The results of the analysis are presented in Table 5.

**Table 5**  
*ANOVA Results: Proficiency Index*

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	2647.537	2	1323.768	1.95501	0.143412	3.026678
Within Groups	197717.8	292	677.1158			
Total	200365.3	294				

Research Question 1, Ho2, investigated the difference between CMO type and student growth in English Language Arts, as measured by the Michigan ELA Growth Index. An ANOVA analysis was conducted and the results show a statistically significant difference between the means of the three authorizer types,  $F(2,288)=3.06$ ,  $p=0.05$  ( $r=.02$ ). Student's ELA growth was highest for schools managed by Not-for-Profit CMOs ( $M = 58.66$ ,  $SD = 29.00$ ), followed by For-Profit CMOs ( $M = 55.32$ ,  $SD = 23.30$ ), with schools being Self-Managed having the lowest student ELA growth ( $M = 46.95$ ,  $SD = 27.77$ ). Subsequently, the null hypothesis was rejected. The results of the analysis are presented in Table 6.

**Table 6**  
*ANOVA Results: ELA Growth*

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3713.258	2	1856.629	3.055454	0.048631	3.027111
Within Groups	175001.5	288	607.6442			
Total	178714.8	290				

Research Question 1, Ho3, investigated the difference between CMO type and student growth in mathematics, as measured by the Michigan Math Growth Index. An ANOVA analysis was conducted, but no statistically significant difference between the means of the three CMO types was found (Alpha = 0.05). Therefore, the null hypothesis was accepted. The results of the analysis are presented in Table 7.

**Table 7**  
*ANOVA Results: Math Growth*

Source of Variation	SS	df	MS	F	P-value	F crit
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Between Groups	3340.323	2	1670.162	2.178851	0.115034	3.027111
Within Groups	220761.5	288	766.5331			
Total	224101.9	290				

Research Question 1, Ho4, investigated the overall differences in school graduation rates between CMO type, as measured by the Michigan Graduation Index. An ANOVA analysis was conducted, and the results showed a statistically significant difference between the means of the three authorizer types,  $F(2,73)=5.65$ ,  $p=0.01$  ( $r=.13$ ). Schools managed by For-Profit CMOs had the highest graduation rates ( $M = 88.72$ ,  $SD = 14.25$ ), followed by schools that were Self-Managed ( $M = 74.08$ ,  $SD = 24.89$ ), with schools managed by Nonprofit CMOs having the lowest graduation rate ( $M = 68.92$ ,  $SD = 35.21$ ). Consequently, the null hypothesis was rejected. The results of the analysis are presented in Table 8.

**Table 8**  
*ANOVA Results: Graduation Rate*

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3842.303	2	1921.151	5.653396	0.005216	3.122103
Within Groups	24807.04	73	339.8225			
Total	28649.35	75				

Research Question 1, Ho5, investigated the overall composite index scores between CMO types, as measured by the overall School Quality Index. An ANOVA analysis was conducted and with the results show a statistically significant difference between the means of the three authorizer types,  $F(2,292)=3.20$ ,  $p=0.04$  ( $r=.02$ ). The Composite Index was highest for schools with For-Profit CMOs ( $M = 55.55$ ,  $SD = 20.52$ ) and Nonprofit CMOs ( $M = 55.53$ ,  $SD = 20.48$ ), with Self-Managed schools having a considerably lower Composite Index ( $M = 47.71$ ,  $SD = 24.24$ ). This null hypothesis was also rejected. The results of the analysis are presented in Table 9.

**Table 9**  
*ANOVA Results: School Quality Index*

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	2901.153	2	1450.577	3.195821	0.042369	3.026678
Within Groups	132538.2	292	453.898			
Total	135439.4	294				

## Research Question 2

Research Question 2, sub-question 1 investigated individual schools' top-performing charter management companies in Michigan. To explore this research question, a review of existing data and a descriptive statistical analysis were performed. When looking at the top-performing charter management company, the Index areas of Proficiency, Growth, and Graduation were ranked to produce the top schools in each category. Table 10 displays the top three performers in each area.

**Table 10**

*Performance of Michigan Charter Schools: Rank Order by Associated Index*

School Name	Management Company	CMO Type	Index
<b>Proficiency</b>			
Washtenaw Technical Middle College	Corner Stone Charter Schools	For-Profit	100
Honey Creek Community School	N/A	Self-Managed	100
Kingsbury Country Day School	N/A	Self-Managed	100
<b>Growth Index</b>			
Washtenaw Technical Middle College	Corner Stone Charter Schools	For-Profit	100
Honey Creek Community School	N/A	Self-Managed	100
Kingsbury Country Day School	N/A	Self-Managed	100
<b>Graduation Index</b>			
Charyl Stockwell Academy - HS	CS Partners	For-Profit	100
Central Academy	Global Education Excellence	For-Profit	100
Detroit Edison PS Academy - HS	National Heritage Academies	For-Profit	100

Research Question 2, sub-question 2 investigated the top-performing charter management companies in Michigan. To explore this research question, a review of existing data and a descriptive statistical analysis was performed. The schools were ranked by the overall School Quality Index in determining the overall highest performing charter management companies. A list of the top 25 schools and their CMO was provided (Table 11). Of the top 25, 16 schools were managed by For-Profit CMOs. One by a Nonprofit CMO, and eight were Self-Managed.

**Table 11***Performance of Michigan Charter Schools: Rank Order by School Quality Index*

<b>BuildingName</b>	<b>Management Company</b>	<b>CMO Type</b>	<b>Quality Index</b>
Washtenaw Technical Middle College	Corner Stone Charter Schools	For-Profit	100
Blue Water Middle College Academy	N/A	Self-Managed	100
Uplift Michigan Academy	N/A	Self-Managed	98.21
Excel Charter Academy	National Heritage Academies	For-Profit	97.83
South Arbor Charter Academy	National Heritage Academies	For-Profit	96.91
Chatfield School	Chatfield Management	For-Profit	96.7
Grand Rapids Child Discovery Center	N/A	Self-Managed	96.14
Honey Creek Community School	N/A	Self-Managed	96.11
South Canton Scholars Charter Academy	National Heritage Academies	For-Profit	96.09
Ann Arbor Learning Community	Charter HR Educational	For-Profit	95.97
Vanguard Charter Academy	National Heritage Academies	For-Profit	95.94
Renaissance Public School	CS Partners	For-Profit	95.92
Cross Creek Charter Academy	National Heritage Academies	For-Profit	95.86
Canton Charter Academy	National Heritage Academies	For-Profit	95.86
Achieve Charter Academy	National Heritage Academies	For-Profit	95.85
Ojibwe Charter School	MEP Services	For-Profit	95.43
Kingsbury Country Day School	N/A	Self-Managed	95.02
Will Carleton Charter School Academy	N/A	Self-Managed	94.9
Plymouth Scholars Charter	National Heritage Academies	For-Profit	94.66
Old Mission Peninsula School	Black Pearl Educational	Non-Profit	94.42
Da Vinci Institute (K-8)	N/A	Self-Managed	93.99
Canton Preparatory High School	Prepnet	For-Profit	93.55
Noor International Academy	Hamadeh Educational	For-Profit	93.48
Walker Charter Academy	National Heritage Academies	For-Profit	93.37
Livingston Classical Academy	N/A	Self-Managed	93.05

And finally, Research Question 2, sub-question 3 investigated the percentage of Michigan charter management company types and their performance to the state average. To explore this research question, a review of existing data and a descriptive statistical analysis was performed.

The average charter school performance, by CMO, ranged across the various performance indexes. Although the nonprofit CMO operated schools performed the highest in both proficiency and growth, the for-profit CMO operated schools had the highest performance in overall school quality (Table 12). The for-profit managed schools even performed higher than the state average in graduation – significantly higher than all other management types. Self-managed schools performed the lowest in all performance areas, and lower than the state average in all categories.

**Table 12**  
*Average Performance by CMO with the State Average*

	<b>Proficiency Index</b>	<b>Growth Index</b>	<b>Graduation Index</b>	<b>Quality Index</b>
For-Profit	46.1	47.3	81.2	71.7
Non-Profit	37.9	39.1	75.1	67.2
Self-Managed	40.2	40.7	74.1	67.9
State-Wide Average	60.6	59.4	74.6	75.3

The average performance of all CMO types, however, was lower than the state average in the areas of Proficiency, Growth, and overall School Quality Indexes. Only Graduation Index was higher for For-Profit schools, the highest of all charter models and the state average (Table 12). 29.8% of charter schools are above the state average on Proficiency Index. 30.2% of charter schools are above the state average in Growth Index. 78.9% of charter schools are above the state average in Graduation Index, and 47.1% of charter schools are above the state average in the overall School Quality Index (Table 13).

**Table 13**  
*Percent of Charter Schools Above State Average*

	<b>Proficiency Index</b>	<b>Growth Index</b>	<b>Graduation Index</b>	<b>School Quality</b>
For-Profit	29.6%	31.0%	85.7%	50.5%
Non-Profit	40.0%	35.0%	60.0%	40.0%
Self-Managed	28.8%	27.1%	60.0%	37.2%
Total Charters	29.8%	30.2%	78.9%	47.1%

### Conclusion

This research concludes that there is a statistically significant difference in CMO type and charter school performance in Michigan, and charter school performance varies by CMO type. Specifically, For-Profit CMOs consistently performed among the best among all operator types when analyzing Research Question 1. When looking specifically at the three statistically significant outcomes, For-Profit CMO performance was higher than both Nonprofit and Self-

Managed schools in the area of Graduation. However, Nonprofit CMO performance was higher than For-Profit and Self-Managed Schools in Language Arts Growth. For the Composite Index, both For-Profit and Nonprofit CMO types were statistically similar but also higher than Self-Managed Programs.

Additionally, for-profit CMOs outperform other types of operational approaches but not the state average. When looking at Research Question 2, using descriptive statistics, For Profit CMO types topped other CMO types with the highest performance averages of all CMO types. Again, though, they did not outperform the State Average, except for the Graduation Index. When looking at the total number of schools higher than the state average, For-Profit CMO-operated schools outperformed the other two types in Graduation and Overall School Quality. Nonprofits, however, outperformed both For-Profits and Self-Managed Schools in Proficiency and Growth.

### **Implications**

The results are mixed when looking at the performance of charter schools by management company type. Although For-Profit managed schools appeared to do better overall than Nonprofit and Self-Managed schools, the amounts were not all significant and not by much. It is also interesting to see the variation in performance across the categories of performance Indexes. For example, if we only look at the overall School Quality Index, For-Profit CMO-operated schools were highest among all school types, including the state average.

The components that make up the School Quality Index are more than just academic results. This suggests that For-Profit charter management companies are holistically higher performing than other school types, which may be higher in one area of academic performance (e.g., ELA or Math).

The Michigan overall School Quality Index value is based on student growth, proficiency, graduation rates, English learner progress, attendance rates, advanced coursework completion, postsecondary enrollment, and staffing ratios. With their higher graduation rate, in addition to what is typically a more structured organizational model, For-Profit management companies are larger and more refined than their Nonprofit or Self-managed counterparts. Surprisingly, however, these schools perform, on average, higher than their conventional public school district counterparts. Though opponents of for-profit charter schools argue that these programs are only in it for profit, the results of this study suggest there is more to the story.

### **Recommendations for Policy**

Consider charter management type and organization when reviewing charter school performance and looking at variables that impact school performance. Lumping all charter schools into the same category ignores the nuances that distinguish the uniqueness of these programs. Additional focus should be placed on the quality of CMO operation practices due to their profit status. The policies, practices, and staff of CMOs should be reviewed, as well as certification and credentials.

### **Recommendations for Practice**

Sharing of knowledge across management companies would help other types of school types (what can we learn from For-Profit management companies). However, this may be difficult because of the nature of the For-Profit design (competition). Charter management companies should engage with professional organizations that hold quality discussions and offer insight into quality operating practices. In addition, NACSA and state charter school organizations can be resources to assist management company staff in improving their operational activities, which may improve their school's performance.

### **Recommendations for Future Research**

In addition to replicating this study in other states nationally to see if similar results bear out, a deeper, more targeted investigation around operational practices and policies impacting charter schools would be beneficial. For example, other variables and demographic factors, such as race, geographic location, and SES, would inform the nuances among CMO practices and the uniqueness of the schools they charter. And a broader investigation into closed charter schools and the relationship to CMO practices may illuminate the behaviors of staff and the decision-making process.

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