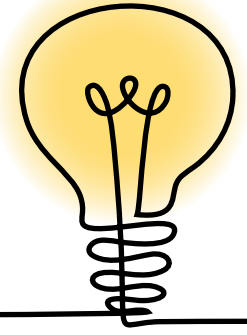


# Built to Grow



**How IDEA  
Public Schools  
is Expanding  
to Serve a Million  
Students**



**Public Impact  
Daniela Doyle  
& Juli Kim**

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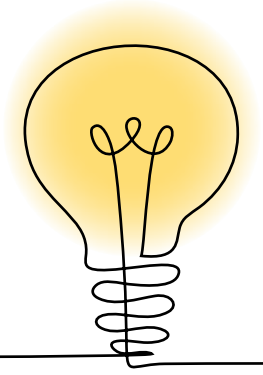
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# Built to Grow

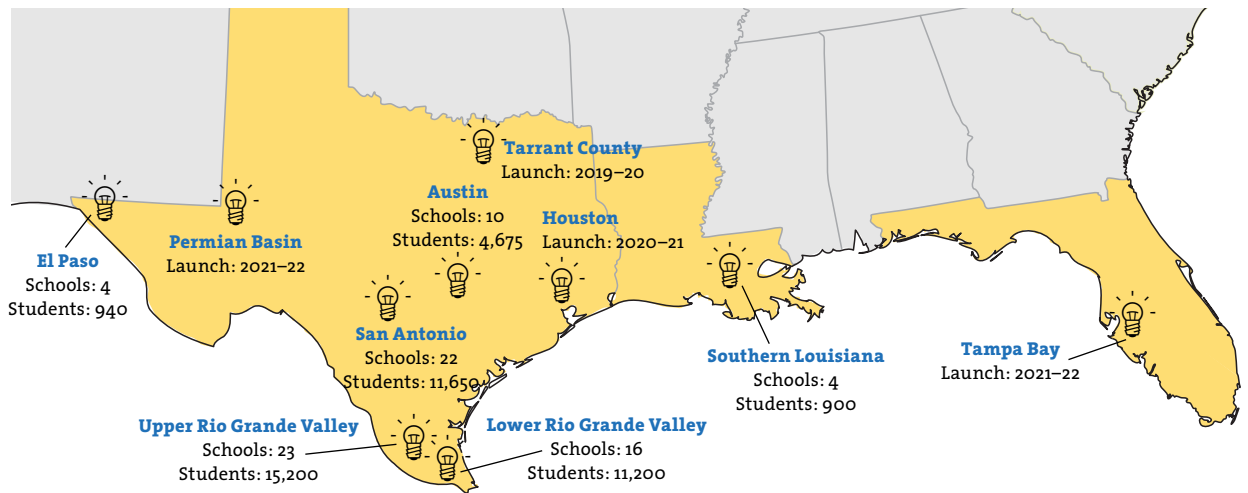
## How IDEA Public Schools is Expanding to Serve a Million Students



The first IDEA Public Schools' campus opened in 2000, just miles from the US-Mexico border in Donna, Texas. Fast-forward nearly two decades, and 79 IDEA public charter schools serve approximately 45,000 students across six regions, and those students consistently outperform their peers statewide on a range of metrics from proficiency to graduation and college enrollment (see Figure 1, page 2). Moreover, IDEA's leadership team and board have no intention of slowing down. Plans are underway to enroll 100,000 students by 2022—which would make it one of the five largest school districts in Texas. And IDEA has bigger plans as well; it aims to one day serve one million students as the country's largest school district (see Figure 2, page 2).



**FIGURE 1. Overview of IDEA Public Schools, 2018–19**



**FIGURE 2. History of IDEA's Expansion**

YEAR	MILESTONE
2000	IDEA opens its first campus in Donna, Texas, serving 150 students.
2006	IDEA initiates its first expansion effort, with the goal of growing from a network of two schools serving 1,000 students to a network of 22 schools serving 15,000 students across the Rio Grande Valley by 2012–13. (IDEA met that goal in 2012–13, as planned.)
2012	IDEA initiates its second expansion effort, with the goal of serving 35,000 students by 2021. To do so, it plans to open 34 schools in two new regions, San Antonio and Austin. (As of the 2018–19 school year—two years out from its target—IDEA already serves about 45,000 students across the network. It operates 32 schools serving more than 16,000 students in San Antonio and Austin.)
2016	IDEA initiates its third expansion effort, with the goal of serving 100,000 students by 2022. To do so, it will operate more than 170 schools across 10 regions.
2018	IDEA opens its first school outside of Texas in southern Louisiana.

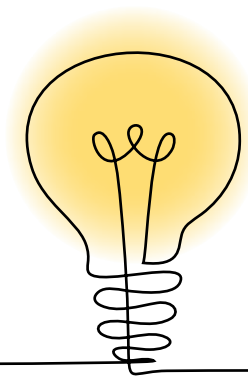
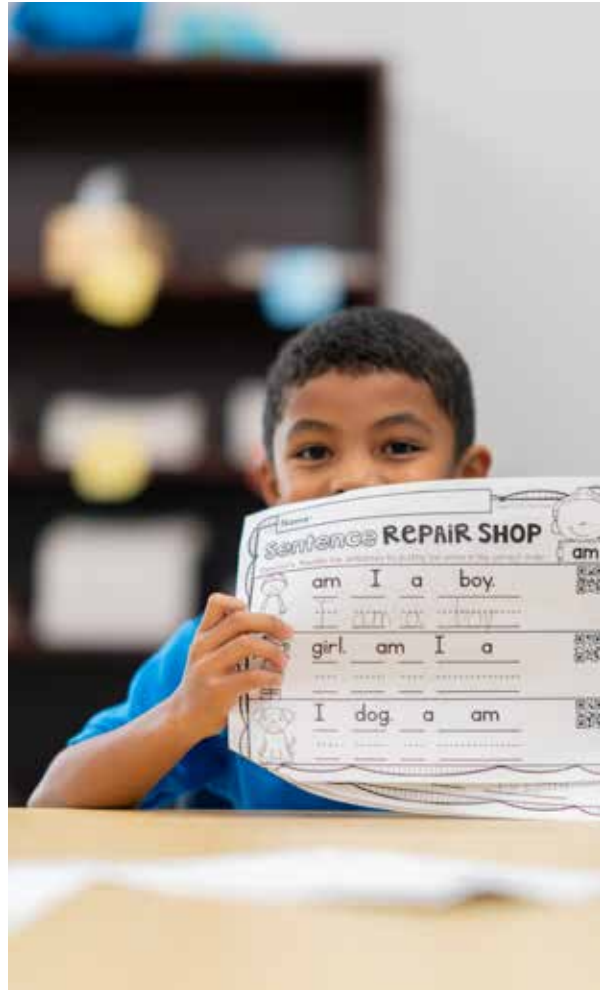
## IDEA Growth: A National Outlier

The speed at which IDEA is expanding makes it stand out in a sector where most operators are preparing for no, or only incremental, growth. In 2017–18, just 309 new charter schools opened, the fewest since the National Alliance for Public Charter Schools began tracking the figure in 2006.<sup>1</sup> Fewer new charter operators are starting schools, but many proven operators are also choosing to grow more slowly, if at all. Why?

In a survey conducted by education research and management consulting firm Public Impact of 22 high-performing charter management organizations (CMOs) operating at least three schools, just over one-third said growth was a priority for them at this time. Survey-takers also identified three persistent barriers to growth: 1) the ability to hire enough great talent (especially teachers and school leaders), 2) securing a suitable facility, and 3) acquiring sufficient capital. In addition, survey-takers noted that growth often strains their central staff and organizational capacity. These themes are largely consistent with similar research on the topic going back nearly a decade.<sup>2</sup>

Given these obstacles, some CMOs have chosen to grow only when a clear opportunity to do so presents itself, rather than pursuing growth more proactively. Still others, struggling to maintain quality as they've grown, opted instead to re-focus on the schools they already operate.

But not IDEA. Despite the same barriers and risks, IDEA perseveres, developing solutions to each challenge it faces. The rest of this case study details how IDEA does it, and how other CMOs might follow suit.





## How IDEA Grows Fast—and Successfully

In 2011, Public Impact published *Going Exponential: Growing the Charter School Sector's Best*. The report reviewed cross-sector research to find organizations that had successfully grown rapidly and highlight their strategies.<sup>3</sup> IDEA's experience shows how several of these strategies can work in the charter sector, including:

- 💡 **Have or bring on board top leaders who commit to growth.** IDEA's co-founders feel a moral obligation to reach as many students as possible with the strong results their schools have achieved, leading to their one-million-student ambition.
- 💡 **Develop systems for scale** when needed to manage more customers and employees, including information technology, human resources, finance, and key operational systems. IDEA stands out for its tight school model and well-developed management systems that pervade all aspects of the operation. IDEA has invested—and continues to invest—massive amounts of time and resources in developing and honing these systems as the foundation for growth.
- 💡 **Tackle talent scarcity quickly and creatively** by searching far and wide for experienced managers and inducting them carefully, developing talent internally, and maximizing productivity. IDEA runs many of the same plays as other successful CMOs to attract teachers and leaders. But to achieve its level of growth, IDEA has had

to reimagine talent with support structures that enable it to draw on a much different talent pool, including its own alumni.

- 💡 **Invest in innovation to pursue excellence and growth** that creates new and better services and products, operations, systems, and ways to reach customers. For example, IDEA departs from most CMOs by building all of its own facilities, thereby giving students and educators the buildings they need with more stability and a lower long-term cost.

- 💡 **Generate money to expand** by producing cash flow from positive operating margins and continued revenue growth, and then invest in growth essentials. IDEA's network of schools reallocates regular per-pupil dollars from fully enrolled schools to invest in improvements that help all of its schools, including enabling new schools to open with teachers and leaders who are ready to put the IDEA model into action.

The following sections detail each of these components of IDEA's approach.





## OVERCOMING OBSTACLES: COMMITMENT TO GROWTH

Across industries, organizations that grow rapidly and successfully have or take on leaders who are deeply committed to wide-scale impact.<sup>4</sup> Such is the case at IDEA headquarters in Weslaco, Texas, where growth is not just a goal in and of itself; it is central to the organization’s mission to prepare students from underserved communities for success in college.

Eighty-nine percent of IDEA students meet the state’s definition of economically disadvantaged—far higher than the state average of 59 percent.<sup>5</sup> In addition, 34 percent of IDEA students are English language learners, compared with 19 percent statewide. Yet IDEA students, on average, outperformed their peers across Texas in reading, math, writing, science, and social studies each year from 2015–16 to 2017–18. As a district, IDEA outperformed the targets set for its students in 2016–17 on all four of the Texas accountability system indices.<sup>6</sup> More than 99 percent of freshmen entering an IDEA school in 2012–13 graduated four years later.<sup>7</sup> And IDEA students graduate from college at a rate that is more than three times the national average for low-income students—36 percent versus 10 percent—though it is determined to raise that figure.<sup>8</sup>

“Knowing that so many communities don’t have a choice and we have a model that we can replicate, we feel a moral obligation to do that,” said JoAnn Gama, IDEA’s co-founder, president, and superintendent—especially since IDEA has been able to maintain, and even improve, student performance as it adds schools. Moreover, the demand for IDEA is tremendous. For the school year starting in fall 2017,

50,000 students applied for 10,000 spots in IDEA Public Schools. By that December, IDEA had already received 21,000 applications for 2018–19. “In the communities we go into, there is demand—politicians, business leaders, church folks who are recruiting us, asking us to provide that option,” Gama said.

IDEA’s leadership team also sees an opportunity to inspire change beyond their walls. “In a bigger sense, I care about the future of our country, about democracy,” Tom Torkelson, IDEA co-founder and CEO, said. “The best way to strengthen both is through thoughtful, smart citizenry.” Moreover, skeptics who don’t believe that low-income students can achieve at high levels or that it’s possible to provide great public schools for low-income students at scale need proof points. As one of the fastest-growing *and* highest-performing charter networks in the country, IDEA is becoming that proof point. If IDEA achieves its expansion goals while maintaining strong student results, its leaders believe they can push other systems to do a better job serving their most disadvantaged students.

*IDEA students graduate from college at more than three times the national average for low-income students.*



## OVERCOMING OBSTACLES: SYSTEMS

Creating systems for scale is a hallmark of fast-growing organizations across sectors.<sup>9</sup> Underlying everything IDEA does, including how it identifies and trains talent, secures facilities, and generates the funding to grow, is a tight school model supported by equally tight management systems. Together, they allow IDEA to consistently replicate what works, produce economies of scale, and provide clarity around next steps no matter the challenge.

### A Tight Model

The IDEA model is incredibly consistent across the network. Everything from the number of students per grade to the staffing model and the professional development program is standard across all IDEA schools.

The “tightness” of the IDEA model is important for several reasons. First, it’s proven: It produced the student success that IDEA demonstrates today. Second, it is replicable. Each new region and new school has a blueprint to follow. Tightness also leaves less for school and regional staff to figure out, freeing them to do the hard work of educating students. Equally important, it creates economies of scale by centralizing processes and tools and then dividing the costs among tens of thousands of students.

That is not to say absolutely everything is the same from one IDEA school to the next, and the pieces that differ reflect the needs and interests of the communities that the schools serve. To this end, principals have a small discretionary budget. High schools have a say in some of the electives they offer. And as IDEA prepared to expand into Louisiana, IDEA’s co-founder JoAnn Gama asked the region’s executive director to identify the two or three aspects of the IDEA model that may need to be tweaked to meet the local context (creating an IDEA+ model, as she calls it).

IDEA reinforces its model by explicitly teaching the IDEA way of doing things and exposing educators

to IDEA culture early and often. One such example comes from a program it started in 2017 to support new schools in new regions. The Founding Teacher Fellowship allows a core team of teachers who will found IDEA schools in new regions to gain hands-on teaching experience in IDEA classrooms. For its inaugural cohort, IDEA relocated 24 such teachers from Louisiana and El Paso to existing IDEA regions, where they taught and were mentored by some of IDEA’s most successful teachers and leaders before returning to new schools in their home regions.

IDEA also promotes heavily from within, which further solidifies and strengthens the network’s culture. As one example, half of IDEA’s regional executive directors previously worked at an IDEA school, either as a teacher, administrator, or both. Gama has also participated in every principal and executive director interview in IDEA history, ensuring consistency in selection and in how IDEA communicates its expectations for new leaders.

### Tight Management Systems

IDEA is exceedingly deliberate and systematic in what its central office does and how it tackles problems. These processes in turn allow IDEA’s managers to have difficult conversations, move resources where needed, and act strategically.

*The tight IDEA model has proven student success, is replicable, and frees schools staff to focus on educating students.*



## A PROCESS FOR EVERYTHING

Consider the way that IDEA's eight-member leadership team functions. Every morning starts with a daily "huddle" at 7:45, where the chief college and diversity, advancement, program, operating, human assets, and financial officers check in with one another and co-founders Tom Torkelson and JoAnn Gama for 15 minutes. (Leadership team members then huddle with their own teams shortly thereafter.) Each week, the same group also convenes a 90-minute tactical meeting where they review progress on the goals identified previously, tackle five to 10 ongoing tactical issues, and identify next steps. On a quarterly basis the team also meets for longer "step backs" to focus on the gains IDEA and its students are making and identify and address any potential challenges. All these meetings are fast-paced and use a standard agenda and routines to ensure that the team maximizes its time together and leaves with clear next steps.

Similarly, IDEA has a structured process for problem solving—the Action in Learning Program (ALP)—in which five- to 10-person teams work on high-value projects over six to eight months as a coveted professional development opportunity. ALPs culminate in a detailed plan to address the challenge at hand, and strong plans are implemented. In 2017–18, projects included piloting new curriculums, engineering a school culture turnaround, and celebrating, documenting, and promoting the work of IDEA's highest-performing teachers. Campus leaders, teacher "laureates," and leaders from IDEA headquarters may all participate in ALPs, depending on the topic.

In addition, all managers within IDEA's central office receive training in and use common operating mechanisms. For example, IDEA uses the "Goals, Roles, Processes, and Interpersonal Relationships" model to guide all team projects, a planning tool used across the business sector. Similarly, teams use the RASI method—another popular business technique that identifies who is responsible, who

must approve all work, who will support each action, and who needs to be informed at different points along the way—to clarify roles and responsibilities on team projects. Consistently implementing these systems network-wide both improves operations and makes collaboration easier across schools and offices, because everyone speaks the same language.

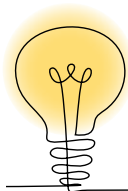
## COMMITTING TO SOLUTIONS

IDEA didn't develop these structures on its own. Early in IDEA's development, Torkelson discovered the work of Noel Tichy, a business professor at University of Michigan who also headed General Electric's Leadership Center in the 1980s. In addition to studying Tichy's work, Torkelson partnered with Tichy for several years, and Tichy helped IDEA train its managers.

Now IDEA invites other CMOs to learn its systems and processes, but few demonstrate the same sort of discipline and follow-through. "They get excited and enthusiastic, but then they say they don't have the time," Torkelson said.

And IDEA's systems and processes do take time. Consider the hours IDEA invests in the ALPs described above. Teams work on their project continuously for six to eight months. During that period, they participate in weekly, 30-minute coaching calls with senior IDEA leaders whose jobs connect to the project, as well as three three-day workshops where participants work within and across their teams to develop specific skills and advance their projects. The time investment is substantial, but according to Torkelson, it pays off in the long-term.

IDEA applies all the same business strategies and discipline it uses on a day-to-day basis to growth as well. As Torkelson sees it, growth is not that complicated. "You need to have a clear people strategy; have a clear budget setting process...then you have to have a clear way to execute. It's so basic and boring and dull," he said. "I explain this to people, and they think it has to be more complicated than I say it is. It just requires systems and structures."



## OVERCOMING OBSTACLES: TALENT

IDEA knows that its ability to support outstanding student outcomes rests on the quality of its people. And every year, IDEA needs to recruit more great talent as it grows. Although IDEA routinely retains more than 80 percent of its instructional staff each year, it had to fill more than 850 instructional positions for the 2017–18 school year, including 469 new teacher positions. Despite the challenge, every teaching position was filled on the first day of school.<sup>10</sup> In fact, on average, IDEA receives seven applicants for every opening. Like other fast-growing organizations, IDEA has achieved these results by tackling talent scarcity quickly and creatively.<sup>11</sup>

How does IDEA do it?

## The Usual Bag of Tricks

For starters, IDEA deploys many of the same strategies that other excellent CMOs use. For example, it offers its teachers a competitive salary and opportunities for advancement to both attract and retain talent. IDEA generally sets its teacher salaries so that they rank in the top three for their region (compared to the district, as well as other charter operators). Meanwhile, its Teacher Career Pathway (TCP) program (see “IDEA’s Teacher Career Pathway Program,” below) offers teachers a menu of incentive options as they progress in their careers, from increased influence and compensation to public recognition and opportunities for professional growth. Teachers also receive a variety of supports along the way, both before and during the school year.

In addition, IDEA partners with organizations like TNTP and Teach For America to help with recruitment, while simultaneously working to find local talent itself. It encourages current teachers to refer their

### IDEA’s Teacher Career Pathway Program

**T**he Teacher Career Pathway (TCP) is a differentiated reward, recognition, and retention program for teachers that IDEA began throughout the network in 2015–16. It includes five levels, ranging from a “welcome to IDEA” teacher to a “master” teacher. A teacher’s placement on the pathway reflects her impact as determined by student achievement; performance on IDEA’s rubric for excellent teaching; student, parent, and family input; and demonstration of IDEA’s core values. Placement also considers years of teaching experience (including teaching at IDEA) in the first four years.

With each new pathway placement, teachers receive incrementally more influence, professional development autonomy, public recognition, and retention bonuses. For example, as a teacher progresses from a “welcome to IDEA” teacher to an “emerging IDEA” teacher, she might receive shout-outs, swag, or new business cards. When she moves up to the next level, she can receive those same recognitions, as well as a \$500, three-year retention bonus called a “grow-with-IDEA” account. Emerging IDEA teachers might also receive greater influence by serving on the teacher advisory council of a school-based decision team.

The further along the TCP a teacher moves, the more different kinds of rewards become available, and the larger the financial compensation.

friends and former colleagues, scours local teacher prep programs and hiring fairs, and holds office hours at local coffee shops and happy hour spots to attract and welcome potential candidates. IDEA also recruits heavily from its alumni, whose number continues to grow. IDEA alumni constitute as much as 16 percent of the teaching staff at some IDEA schools.<sup>12</sup>

IDEA has developed internal talent pipelines as well. Aspiring principals spend at least a year as a principal in residence at an IDEA school, where they work as full-time members of the school's leadership team while learning the skills and competencies needed to run their own successful IDEA school. IDEA also recently introduced a teacher residency opportunity in several schools in partnership with Relay Graduate School of Education. Through the residency, aspiring teachers (many of whom are IDEA alumni) work under the tutelage of a high-performing IDEA teacher for a year before leading their own classroom.<sup>13</sup>

## Reimagining Talent

To be sure, other CMOs take these steps. Some still fail to attract and retain enough great teachers and school leaders, though. And when CMOs succeed solely through these methods, there are often significant challenges at scale because the supply of great talent isn't limitless. Eventually, CMOs will hit a talent wall, and even before that, CMOs that achieve success largely by attracting a disproportionate share of talent are "robbing Peter to pay Paul." So, while out-recruiting surrounding districts and charter networks may work for one operator, it leaves students in other schools with less access to great teaching and leadership.

While IDEA competitively recruits education talent, it also relies on an array of different talent strategies. At IDEA, the real difference seems to lie in the way it defines talent. IDEA will readily sign a proven teacher who shares its commitment to high student achievement and continuous improvement, but it is



also comfortable hiring promising candidates who may lack some basic pedagogical skills. More specifically, IDEA reimagines talent to include anyone who is smart, resilient, mission-aligned, and demonstrates a growth mindset. If candidates possess these traits, IDEA's leaders believe they can teach the rest.

IDEA's selection process reflects these priorities. All teachers applying to IDEA must perform a practice lesson. Even more than the quality of the lesson itself, IDEA analyzes how the candidate responds to feedback. Teachers also take a content mastery test. For example, an AP Physics teacher will be asked to take a physics exam, which includes questions and other sample items from the AP Physics exam. Failing the test is not a deal breaker, though. IDEA is looking to see how the applicant processes his grade when he receives it and how open he is to improving areas of weakness.

The way IDEA reimagines talent gives it access to many more candidates, including many local candidates less likely to leave after a two- or three-year stint that a CMO might otherwise overlook. But it also has consequences.

## Intensive Support

First, IDEA provides much more intensive support for new hires than the typical school operator might. That support includes a two-week training during the summer for any teacher new to IDEA, during which teachers learn about the CMO's culture and pedagogy. Teachers also have an opportunity to start delving into the curriculum, practicing new skills, and working with their managers. Every year, all teachers—new and veteran—also participate in an additional week of summer training on their campus. Teachers new to IDEA therefore receive three weeks of training before the school year begins.

Training and support continue during the school year. Assistant principals for instruction (APIs) lead teacher coaching on their campus, supporting six to



10 teachers, while a team from IDEA headquarters supports APIs in their coaching role. APIs enter the feedback they give teachers into an online program where coaching and curriculum specialists at IDEA headquarters can analyze it and give APIs feedback, both on their coaching and on the skills or topics they ought to focus on with teachers. In addition, teachers across the IDEA network participate in live webinars every other week targeted to the grade and subject they teach. The webinars give teachers a way to learn upcoming curriculum from the best teachers in the network and ask questions.

Similarly, teachers are expected to figure out less on their own. Because all IDEA schools use the same curricula and pacing, the network can develop strong, common teaching tools. IDEA creates these tools to ensure that its curriculum focuses on deep



and authentic learning that is relevant to students. The network also provides teachers with a vast array of resources they can use to bring curricula to life. These tools do not necessarily make teaching any easier, but they do reduce planning time, helping teachers to focus more on student learning. “We have a specific point of view on everything and codified curriculum across schools,” Torkelson said, “so we can do our teacher training in a much different way.”

### Accepting the Possibility of Bad Hires

So far, IDEA’s bet on “raw” talent has largely paid off. Moreover, by reimagining talent in a way that opens the door to more local hires, IDEA has created a teaching staff that largely reflects its student population. In 2015–16, 85 percent of IDEA teachers and 74 percent of principals in residence were people of color. For context, fewer than 40 percent of Louisiana residents, and fewer than 15 percent of Texas residents are people of color.<sup>14</sup>

Inevitably though, IDEA sometimes picks wrong. When that happens, the network has developed several ways to intervene, including providing targeted coaching and using built-in training and professional learning community forums, such as course collaborations, to support teachers who are struggling. Ultimately, if teachers struggle over time, IDEA may remove the teacher. In 2016–17, however, IDEA retained nearly 83 percent of its instructional staff.




## OVERCOMING OBSTACLES: FACILITIES INNOVATION

Across industries, organizations that grow successfully innovate in ways that help their customers, team members, and organizations.<sup>15</sup> IDEA has innovated in many ways, including in how it tackles one of the biggest obstacles to charter expansion: facilities. IDEA differs from perhaps every other large CMO in the country in that it builds all its facilities from the ground up. This practice began because the Rio Grande Valley offered no suitable facilities that IDEA could lease, and land was affordable.

IDEA maintained the practice even as it has moved into regions with more expensive real estate, because existing facilities remain hard to find. Between July 2016 and July 2017, Texas had the highest population growth of any state in the country, increasing by more than 1,200 people per day.<sup>16</sup> Growth has been particularly rapid in Austin and San Antonio, two cities where IDEA operates.<sup>17</sup> That means districts have nearly no unused school facilities, and large, vacant buildings that could be repurposed are a rarity. Hence, purchasing existing facilities is still not a real option most of the time.

IDEA has some opportunities to lease, but the benefits of new construction have almost always proven more compelling:


 **New construction allows IDEA to create ideal learning conditions.** Nearly all IDEA campuses include two facilities, an “academy” for lower grades (pre-K to 5) and a “college prep” for upper grades (6–12), with a host of special features. For example, campuses all have “accelerated reader hotspots,” which offer individualized learning areas with computer kiosks. All college prep facilities also include a “road to college” which includes open spaces for college counselors, a library, and research areas for students to work on college applications. In contrast, when charters



lease facilities, they often lack even basic amenities, like athletic fields, gyms, and kitchens.<sup>18</sup>

 **Owning tends to be a more stable investment.**

When a CMO owns its facilities, it can maintain control and predict long-term costs. In contrast, landlords can change lease terms or make changes to the building with little to no input from the charter operators leasing them.

 **Owning can be less expensive in the long term.** IDEA estimates that leasing facilities will save money compared to what it makes in bond payments for the average facility. However, even suitable leased facilities often require substantial investment, including cosmetic changes and structural ones, but the renter cannot benefit financially from them. When IDEA owns its facility, it retains the value of those improvements. In addition, bonds are eventually paid off, but rent goes on in perpetuity. Hence, unless a lease is very inexpensive or free, the long-term costs of leasing may actually be higher than building, and the facility itself won't be as good.

## Paying for New Buildings

Facilities can cost tens of millions of dollars, and charters have no authority to raise local tax revenues. Keeping building costs low has helped IDEA afford to build new schools. On average, a new campus housing two facilities costs about \$20 million, and IDEA spends about 6 percent of its budget on debt service, well below the 10 to 12 percent generally recommended.<sup>19</sup>

Equally important is the fact that Texas offers one of the most favorable policy environments with respect to

charter facilities. The state guarantees bonds for qualified charter schools using its Permanent Schools Fund, allowing IDEA to secure financing at a much lower interest rate than it would likely receive otherwise. To put the savings into perspective, IDEA estimates that its ability to draw from the fund will save it about \$15 million—more than 10 percent—in lower interest rates over the life of a \$126 million bond it secured in 2016.<sup>20, 21</sup>

IDEA has also taken bold steps to strengthen its bond rating and attract investors. It has earned a BBB+ bond rating, considered “investment-grade.” Fewer than 10 percent of charter networks that Standard and Poors’ rated in 2016 received a BBB or better.<sup>22</sup> In addition, IDEA maintains a debt-service coverage ratio (DSCR) of 1.5 for its Texas schools, meaning that after covering its operating expenses for the year, IDEA can still pay its annual debts one and a half times. The bar for an acceptable DSCR varies from place to place, but lenders typically look for a ratio above 1.25. The 1.5 standard IDEA has set for itself therefore represents a particularly stable, attractive investment. IDEA can also offer investors a compelling pitch: for every \$1 invested from the private sector, IDEA receives \$35 from federal and state governments.

Fundraising also plays a role. It generally takes two years between the time IDEA secures a bond for a new facility and when it begins enrolling students, during which time the school does not generate public revenues. As a region reaches scale, IDEA can fund that gap from an operating surplus that schools generate. But when it opens schools in a new region, and as the region grows, philanthropy largely fills that gap, as discussed in the next section.





## OVERCOMING OBSTACLES: FUNDING FOR GROWTH

As the facilities discussion above illustrates, growth requires money. Organizations that grow rapidly and successfully generate money to expand from positive operating margins, and IDEA is no exception.<sup>23</sup>

IDEA spends \$25 to \$35 million to start schools in a new region.<sup>24</sup> All of this spending has one purpose: ensuring that when students arrive at new IDEA schools, those schools are fully prepared to give them what they deserve. These dollars support all the expenses leading up to the opening of the regional office (such as the regional director's salary for two years, salaries for principals in residence, funding for new student recruitment), the opening of a new school (such as principal-in-residence training, land acquisition and facility planning, and debt service before the school enrolls students), and the inherent inefficiencies as schools operate under capacity during their phase-in.<sup>25</sup>

Funding for growth comes from two places—budgeting practices that allow IDEA to reinvest a portion of recurring revenues in improvement and growth, and fundraising.

### Budgeting for Sustainable Growth

Growth is built into the way IDEA budgets. Campuses composed of two schools become self-sustaining after three years, meaning that they can operate off public funding before they are fully enrolled. Then, as a campus reaches capacity in subsequent years, IDEA is able to reallocate a small portion of recurring per-pupil funds to support new schools within a state as they're launching and phasing-in, as well as continually improving systems and programs that help all schools. IDEA chooses this reinvestment in growth so that the network can reach more students.

IDEA estimates that regions will become fully sustainable when they operate about 20 fully enrolled schools, meaning that schools can operate off regular per-pupil funding *and* support the opening of one new campus each year. To date, IDEA has reached this marker in the Rio Grande Valley and San Antonio.

What's critical about using per-pupil funds is that as IDEA scales up, they scale up. IDEA has a built-in source of funding for expansion—a hallmark of fast-growing organizations. The idea of having funds to reinvest in growth may seem unfathomable to education leaders.<sup>26</sup> Nonetheless, IDEA spends about \$9,000 per student, while other Texas public schools spend about \$9,500, on average.<sup>27</sup> IDEA does it by practicing strong fiscal discipline and generating economies of scale.

### FISCAL DISCIPLINE

Fiscal discipline runs strong at IDEA. The finance department (as well as each team within the department) sets high-level annual goals and measures progress towards those goals on a monthly basis. IDEA also provides monthly financial reports to its management team, board, and bondholders. These interim reports include not only assets and liabilities, but also many other key financial metrics, including liquidity and leverage ratios. Schools also receive monthly financial planning reports that show year-to-date spending in various areas and the remaining funds. When IDEA is off target for any of its financial goals, either organizationally or at a particular school, these reports identify the problem early, so schools can adjust.<sup>28</sup>

As is the IDEA way, the network has also developed budget models for nearly every aspect of the organization to ensure that it operates as leanly as possible, while still supporting strong student outcomes. For example, its more than 50 new principals in residence in 2018–19 is at least three times as many

as its peers, even though IDEA's support crew for the program is smaller than for comparable programs. In addition, every new school employs the same staffing model when it opens, and builds out that staffing model as the campus grows. Its 6–12 structure requires just one lead team, rather than separate teams for middle and high school grades. And since preK–12 all share a single campus, they are also able to share several staff members, including a business clerk and health aide, as well as transportation and facilities teams.

### ECONOMIES OF SCALE

Another factor that allows IDEA to keep its costs so low is its ability to generate economies of scale. Once again, the consistency of the IDEA model and systems is key. Consider the following; all third-grade teachers across IDEA schools are teaching inferences during the same week, using the same books and lesson plans each day. To prepare for the inferences unit, all teachers also participated in the same live webinar from the same excellent teacher on the same afternoon the week before. Meanwhile, each day of the inferences unit, coaches observed teachers and entered their feedback data into the same online program, which curriculum experts at IDEA headquarters reviewed. Although instruction will differ more during intervention blocks, tutoring sessions, and Saturday school, which aim to supplement regular instruction and help struggling students to catch up, instruction during regular classroom time is very similar across all IDEA schools. As a result, those curriculum experts were able to draw on hundreds of observations across their schools and provide data-driven, actionable feedback that coaches and teachers used the next day.

When everyone uses the same tools and systems, the cost per unit of developing them drops considerably, and becomes less expensive as enrollment grows and the costs are divided among more students. IDEA can also invest *more* money and time than it might be able to otherwise invest to hone a particular system because the costs are shared so widely.

## Philanthropic and Grant Support


While IDEA's budgeting creates the foundation for sustainable growth—recurring per-pupil funds cover about 85 percent of the network's expansion costs—it takes additional money to launch a region and wait for 20 schools to phase in. Federal and state grants have played a significant role in IDEA's growth. Most notably, IDEA won a \$67 million Charter School Program Replication and Expansion (CSP) grant from the U.S. Department of Education in 2017, the largest such award ever given. In addition, IDEA has won three previous CSP grants and received almost \$13 million from the Texas Education Agency via competitive grants to fund innovation.


IDEA draws on philanthropic support as well. Each new region has a fundraising target, most of which is raised locally within the region. In fact, a region does not become “official” until it meets that fundraising target (among other criteria). IDEA has also received more than \$12 million from the Charter School Growth Fund, a venture capital fund with the goal of funding the growth of the country's best charter schools to increase their impact, as well as from a variety of other state and regional philanthropies.




# The Glue: A Culture of Continuous Improvement

In addition to its tight model and systems that arm it with tools to address challenges as they arise, IDEA would not be where it is today without the culture of continuous improvement that permeates everything it does. IDEA's commitment to reflection and improvement have driven the creation of its tools, strategies, and systems through years of trial, error, and a commitment to doing better.

 **Continuous improvement is reflected in whom IDEA hires.** At every level, IDEA seeks out individuals with a deep passion to serve underserved students, who believe that all children can learn, and who demonstrate openness to feedback. IDEA values these mindsets so much that it is willing to fill in the other pieces by training and otherwise developing raw talent.

 **It is reflected in the way IDEA holds itself accountable.** Each year, IDEA's leadership team works with one another and with their respective teams to determine key metrics for each goal area for the year based on historical data and alignment with IDEA's vision and aspirations. From there, managers develop a scorecard that outlines clear goals for each individual in the organization. Teams have tactical data boards they update weekly, and often the daily huddles consist of data updates on the big goals. As Rolando Posada, executive director of the San Antonio region, joked, "You can't even go to the bathroom without seeing IDEA's organizational goals. Even in the most private settings, you are bombarded by our goals. We want kids to be on a trajectory of getting to and through college. That is not just a concept, but a goal that is measurable. We have specific goals with specific metrics and deadlines. Smart, realistic, time-bound goals."

 **It is reflected in the way IDEA uses its time and resources.** Once the data make clear the need to do something, IDEA takes those steps, even if they are difficult or expensive. For example, while employee retention is high overall, IDEA realized that new employees tend to leave IDEA

at a higher rate. After analyzing the problem, IDEA decided it needed to redesign its onboarding process, which now includes Torkelson personally participating in onboarding every new employee in the organization, including not only teachers and principals, but also bus drivers, office staff, and managers in IDEA's regional offices. Though a few employees slipped by, Torkelson helped to onboard 1,000 new hires in preparation for the 2017–18 school year, teaching them about IDEA's high feedback culture and mission.

 **A culture of continuous improvement is also reflected in the way IDEA responds to setbacks.**

Nearly every interviewee we spoke to mentioned IDEA's first attempt operating in Austin, where IDEA ultimately lost its contract to turn around a low-performing district school.

Coming out of that experience, IDEA made several changes. It no longer restarts schools. It also now budgets for a two-year runway to launch any new region, time that allows it to take steps it did not take that first time in Austin, such as building strong relationships, learning historical context, and understanding the needs of the families they hope to serve.

Setbacks result in changes in approach, and many such changes then become codified in operating manuals that collect their best practices and create a "school in a box" that IDEA can successfully replicate again and again. "We are constantly debriefing and deconstructing what we did to do things better in the future," a regional executive director for IDEA said.





## Considerations for Future Growth

As IDEA looks to the future, it has the advantage of building on the lessons it has learned, as well as the structures it has created. But the path to one million students will not be easy or straight.

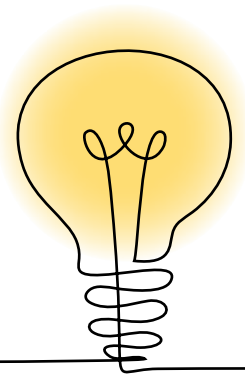
### Crossing State Lines

As expected, expanding into Louisiana has introduced new challenges. There are the more obvious ones, such as adapting the IDEA curriculum to accommodate different state standards and adjusting other aspects of the model to support different student populations. There have been logistical challenges, such as ensuring that all funding for its Louisiana students remains separate from its funding for Texas students, including the parts that support IDEA's central office. In a state with more than two dozen charter operators, IDEA has also had to adjust to being a relative unknown in Louisiana and establishing its brand there.

Expanding into a new state has also highlighted how favorable Texas is to growing CMOs like IDEA, and the challenges of doing so elsewhere. For example, Louisiana requires that each school have a separate charter and school board, while in Texas, the entire

network can share just one of each (though IDEA does have school-level advisory boards). Louisiana also does not guarantee charter facility loans, as in Texas. And while Texas charter schools may recruit students all year round, in Louisiana, they have just a three-month window to do so.

IDEA anticipated these challenges, including differences in policy. Nonetheless, it has taken much more time, money, and energy to start in Louisiana compared to a new region within Texas. Of course, IDEA wanted to expand into Louisiana precisely to prove that IDEA's model is replicable beyond Texas, so it is moving forward, and exploring the possibility of expanding into at least one other state as well. But replicating IDEA's Texas success elsewhere will be difficult, and inevitably require some degree of trial and error along the way.





## Maintaining Momentum

Even aside from the challenges of expanding beyond Texas, IDEA will need to navigate a series of barriers that its size and an uncertain future pose.

**Decentralization.** As IDEA grows, it will inevitably need to decentralize; the network is becoming too large to handle certain functions for all schools and regions at the network level. However, decentralization can increase variability from one region to the next, which is particularly challenging for a tight model like IDEA's. Decentralization also puts a greater burden on regional leadership, and it requires central office staff to codify what they do to adequately prepare regional staff to assume new roles.

**Funding.** The future of federal and state funding to support charter growth is always in question. IDEA has benefitted from federal and state policies that encourage high-quality charters to grow, but priorities can change, and grant programs can end. Because its budgeting practices allow it to reallocate recurring per-pupil dollars toward growth, IDEA is less reliant than some CMOs on expansion grants. But grants remain significant.

**Sustainability.** IDEA's Rio Grande region is now self-sustaining, but it is also the network's oldest region, with the lowest costs. On paper, each region should attain financial sustainability as it operates about 20 schools in six to seven years. But what is on paper does not always play out in practice, and IDEA continues to move into more expensive markets, increasing costs and making sustainability a more difficult target to reach.

**Succession.** Co-founders JoAnn Gama and Tom Torkelson have been with IDEA since its first day and, by many accounts, have been integral to its success. Interviewee upon interviewee sang their praises, including how well they work with and off of one another. Eventually, however, they will both step down, and the network will need to figure out how to carry on in their absence.

There is no question that continued growth is hard, even for the most successful charter operator. And of course, IDEA doesn't have all the answers. But it does have processes in place to build on and systems in place to solve new problems. As a result, its leaders feel confident that together, they can crack the code on the challenges described here, as well as others that pop up, even if there are setbacks along the way.





## Lessons for the Field

As remarkable as IDEA's growth and success have been, it need not be an outlier. Other charter operators can apply the same techniques, especially with the support of like-minded funders, authorizers, and support organizations, just as fast-growing organizations from a variety of industries have. In particular, six lessons stand out from IDEA's experience:

**1. Successful growth starts with a commitment to changing lives for as many students as possible.** Managing rapid growth is immensely challenging. No CMO will match or exceed IDEA's pace of expansion unless its leaders bring the same drive—indeed, the same moral obligation—to the job that IDEA's founders exhibit. Some CMO boards that want to commit to big growth may face a hard choice on bringing in new leadership, adding a relentless focus on growth to the founders' focus on creating great schools.

**2. A proven, well-defined model to replicate is the foundation of effective growth.** Before a charter operator can replicate its success, it must clearly define the model driving that success. The school

model includes not only design decisions related to the academic program and school culture, but also organizational and operational norms. Though time-consuming and tedious, charter operators that want to grow need to do the work to define their model.

**3. Growing from one school to a network of schools requires new systems.** As CMOs grow from one or two schools to five, 10, or even 50, they need new systems and structures to manage the network and to ensure that the model is implemented with fidelity. IDEA's organizational structures and project-management systems did not happen by chance; its leaders partnered with experts to develop them and improved upon

them over time. Similarly, as CMOs grow, they need to invest the time and energy to build new organizational structures.

4. **Budgeting for growth and generating funds to invest is critical.** Growth is not happenstance at IDEA. Rather, growth is baked into its operating plan, including its budget. Although philanthropy and government grants have played a significant role in IDEA's growth, IDEA's budgeting process and its ability to eventually fund new seats from a portion of regular, recurring per-pupil funds is even more important. Year-over-year growth requires that CMOs identify reliable and consistent funding sources to sustain it.
5. **Consistency yields savings.** As a network grows, so too does the opportunity to save money with economies of scale. This occurs most often with back-office expenses, but can also extend to the school level when schools use the same practices, tools, and materials. At IDEA, these practices have allowed the organization to reinvest in growth. As CMOs grow, it is worth considering IDEA's approach of starting with the assumption that everything should be consistent from one school to the next, and then debating any modifications—rather than the more traditional approach that works the other way around.
6. **Finding enough great talent will require truly different strategies.** One challenge only grows with a CMO's size—finding enough great teachers and leaders. Many CMOs already employ an array of strategies to attract talent, and yet talent continues to present the most significant bottleneck to growth at any size. This holds for IDEA as well. However, IDEA has gone further than most in terms of reimagining talent and creating thoughtful, intentional, and systematic supports to buttress that talent. Even if IDEA's particular

methods are not right for every CMO, charter operators will need to approach talent differently—including where they find great teachers and leaders, how they retain them, and how they use the great educators that they have.

7. **Go big, or go home.** When IDEA launches a new region, it does so with a plan to open at least 20 schools. IDEA's size reflects both its desire to serve as many students as possible, as well as the operational and financial realities it faces, because much of what it does is only possible at scale, where the cost per student is at its lowest and pulling back is not an option. CMOs that really want to expand beyond a handful of new campuses ought to think not just about growing, but about growing big from the start, and then developing a plan that will get them there.

## Conclusion

IDEA is changing the life trajectory of tens of thousands of low-income and minority students each year, and if it has its way, that impact will one day grow to one million. IDEA's ability to grow with quality makes it remarkable within a sector that has been retrenching. But IDEA's success does not have to be remarkable. It hinges on practices that are fairly commonplace among leaders in the private sector, and that are entirely replicable within education: a tight model with equally tight systems, a willingness to reimagine talent and then implement structures to support that talent, budgeting for sustainable growth, and committing to (and investing in) continuous improvement. IDEA may be leading the way in the charter sector, but there is plenty of room for other ambitious CMOs who share its leaders' values and mindset.

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