

First Steps:  
Core Elements of a Business Plan for a Twin Cities Charter School in Development

**MPP Capstone Paper**

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## Introduction

The focus of this paper is a charter school in the early stages of formation, to be headed by the client, Rachel Ose. Ms. Ose is a graduate of St. Olaf College's teacher education program and a soon-to-be-graduate of Hamline University's principal licensure program. She is also a member of the 2009 Teach For America corps in the Twin Cities, and is concluding her fifth year of teaching at Higher Ground Academy in Saint Paul, where she has served for two years as the middle school team lead.

The client intends to open a school in the fall of 2016 in either the Cedar-Riverside or Phillips neighborhood of Minneapolis. The school's planned student population consists generally of students similar to those in "alternative" educational programs, whether Area Learning Centers operated by school districts, contract alternative programs, or charter schools with students sharing the same characteristics. For the most part, these are students who have struggled to succeed in more traditional, teacher-centered pedagogical models, and the client school will therefore offer a more individualized, student-centered model that incorporates contemporary technology, competency-based tracking of student mastery, and options for project-based learning. There has also been some discussion, once the school grows more established, of navigating a transition of the school from an independent charter school to a self-governed school within the Minneapolis School District, although that possibility will not be a major feature of this paper except in the consideration of its ramifications for the school's authorizer.

This paper will present several of the core elements of a business plan for the client school, and is divided into sections focused on the school's authorizer, governance structure, human resources principles, market analysis, and fundraising and financial management plans.

## I. Authorizer

A charter school's authorizer plays a key role in the creation and evolution of the school. The authorizer acts in part as the state's proxy, providing oversight and guidance with a level of detail that the state department of education is not equipped to provide. The state must grant authorization powers, and the organizations that receive them must demonstrate their processes for approval and renewal of charter school contracts.

### *Literature on Charter School Authorizers*

In Minnesota, and in general, charter school authorizers do not appear to have a statistically significant impact on student performance (Carlson, Lavery, & Witte, 2012; Smith, et al., 2011). However, authorizers still play a significant role in the creation and oversight of charter schools. In response to 2009 legislation, authorizers in Minnesota are required to oversee their authorized schools' finances, operations, and performance, and to use their observations in justifying the continuation or nonrenewal of a school's contract (Stone, Zhao, & Cureton, 2012).

Authorizers in Minnesota include the Minnesota Department of Education, school districts, institutions of higher education, nonprofit organizations that include charter school authorization as one of many functions, and "sole purpose" authorizers, which are nonprofit organizations whose only function is the authorization of charter schools. This allows for a greater range of authorizer type than in most states, many of which limited authorization to school districts and potentially a state board or the state department of education.

While Carlson, Lavery, and Witte did not find statistically significant differences in student achievement between schools authorized by different types of authorizer in Minnesota, they did find that schools authorized by nonprofits varied more in their performance on a school-to-school basis, even if the average performance was statistically similar to schools authorized by

other types (2012). Additionally, Stone, Zhao, & Cureton found that authorizer type did not have a predictable impact on board composition, board activity level, or governance practices (this study did not include sole purpose authorizers; 2012).

However, authorizers are still acknowledged as having the potential to significantly aid a charter school, to hinder it, or to stand by and keep interventions minimal (Karaxha, 2013). When offering recommendations, Karaxha notes, “It is imperative for authorizers to have proactive authorizing systems that would detect any signs of trouble early on and provide the assistance needed to overcome such difficulties before resorting to the most punitive measures such as closures or revocations,” (2013, p. 601). Examples of these proactive systems include the establishment of clear expectations for financial and operational goals, regular monitoring of data and practices for alignment with these expectations, and the provision of support when necessary to help schools meet expectations. Karaxha also cites past research and her own findings in arguing that school districts may not offer the necessary capacity or systems to operate effectively as charter school authorizers. Again, however, research by Carlson, Lavery, & Witte, among others, suggests that the type of authorizer (including school boards) does not have a statistically significant impact on student outcomes (2012).

In weighing authorizer options for the client school, then, it is difficult to rely on broad categories. Instead, the goal should be to identify potential authorizers with proven track records of deploying the sort of proactive systems Karaxha mentions in order to avoid problems with financial sustainability, effective operations, and community relationships. Another consideration is Blitz’s notion of authorizer-based accountability demands intersecting with market-based accountability demands (2011). While market-based demands involve students and families holding schools accountable through their choices as consumers, authorizer-based

demands tend to be more explicit. Specifically, Blitz argues that, “if authorizers lack the capacity to assess schools according to the stated goals within the charter and use the more familiar and widely used standardized tests to measure success, the focus of authorizer-based accountability becomes student achievement data according to these standardized tests,” (2011, p. 362). This is potentially problematic for schools like the client school, given that their target student populations tend to struggle with these tests.

Given that, it is important that the client school’s authorizer be familiar with the general model envisioned by the clients (i.e. highly personalized, project-based/experiential learning with heavy inclusion of democratic education principles). Otherwise, the school risks being judged solely on the sort of generic authorizer-based demands delineated by Blitz (2011). Those demands can lead, in Blitz’s terms, to curricular concessions and inappropriate punishments or even closure.

### *Methodology*

The process of identifying potential authorizers consisted of three major steps: 1) identifying “peer schools” similar to the client school; 2) identifying those schools’ authorizers; and 3) identifying other authorizers positioned to potentially support the client school’s long-term design of entering the Minneapolis Public Schools (MPS) district as a self-governed school. Following identification, authorizers were prioritized based on their likelihood of supporting the client school’s approach, both during the application phase and after the school opened. This included assessing each authorizer’s alignment with the client school’s mission, governance principles, long-term strategy for incorporation into MPS, and the opportunity for connecting the school with appropriate community programs and services.

Identification of peer schools primarily combined (a) an inventory of Twin Cities charter schools serving student populations and using methods similar to those intended by the client school with (b) an interview of Ofir Germanic, director of the Minnesota branch of the Institute for Democratic Education in America. Germanic, who is also a youth worker with the Saint Paul parks board, provided personal insight into schools most likely to practice democratic education principles aligned with those espoused by the client. These methods, supplemented with information from Education|Evolving<sup>1</sup> and the Center for School Change<sup>2</sup>, allowed for the creation of a list of peer schools.

*Identification of Authorizer Options*

Table 1: Peer Schools and Their Authorizers	
Peer School	Authorizer
Avalon School (Saint Paul)	Novation Education Opportunities
SAGE Academy (Brooklyn Park)	Novation Education Opportunities
High School for the Recording Arts (Saint Paul)	Pillsbury United Communities
Jennings Community Learning Center (Saint Paul)	Pillsbury United Communities
Minnesota New Country School (Henderson)	Novation Education Opportunities

In addition to the two authorizers serving the peer schools, other authorizers serving schools with a similar “second chance” orientation include Innovative Quality Schools and Augsburg College. However, while these schools worked with similar student populations, their

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<sup>1</sup> Education|Evolving is a nonprofit research and policy organization based in Minnesota which focuses on the incorporation of innovative educational techniques and technologies in schools. Their expertise and interest in pedagogical techniques similar to the client school’s was a major reason for their inclusion in this process.

<sup>2</sup> The Center for School Change is another Minnesota-based research and policy nonprofit organization with a long history of involvement with the development of charter schools in the state, with particular focus on those pursuing innovative and/or collaborative strategies, hence their inclusion.

applications of democratic education principles were not as closely aligned with the vision for the client school as those identified in the table above.

Consideration of the school's long-term transition into the Minneapolis Public Schools (MPS) district suggested two other potential authorizers: MPS itself and the Minnesota Guild of Public Charter Schools (hereafter "the Guild"), which is operated by the Minneapolis Federation of Teachers. Authorization through either of these organizations would conceivably build a stronger relationship between the client school and key stakeholders in MPS and/or MFT. Those relationships could then speed the way towards future incorporation of the school into MPS.

MPS has authorized three schools, although it does not have experience authorizing "second chance" charter schools or schools that significantly apply democratic education principles. (MPS does offer credit recovery programs for grades 9-12 at its high schools and through a contract alternatives program.) It is not clear at this time whether MPS would be interested in authorizing a school of this sort.

The Guild has yet to authorize a school. It is unclear whether that is due to lack of interest, failure of applicants to meet the Guild's standards, or some other factor. While this offers an opportunity for significant individual attention and support from the authorizer, it also raises questions about the potential negative consequences of being the organization's "guinea pig."

By contrast, both Novation Education Opportunities (NEO) and Pillsbury United Communities (PUC) have authorized multiple schools similar to the envisioned client school. NEO is a sole-purpose authorizer, meaning its only function as an organization is the authorization of charter schools. PUC, by contrast, provides a variety of service and charitable programs in addition to its role as a charter school authorizer. This suggests a tradeoff, where

NEO's expertise and narrow focus could be of benefit to the school in its development and internal operations, while PUC's breadth of connections could make for an easier time co-locating important services at the school site.

A fifth authorizer, similar to NEO, is Innovative Quality Schools (IQS). While IQS does not authorize the five schools explicitly identified as peer schools, it has authorized other schools which could be classed as "near-peer," including Paladin Academy and Upper Mississippi Academy. It also includes among its authorized schools the M.I.L.R.O.Y. Charter School, identified as a district/charter collaboration. This is potentially relevant to the client school's long term plans.

Additionally, IQS explicitly identifies innovation and flexibility as key values, including on its web site sentiments like, "We also believe that individuals do not all need to learn the same things at the same high levels," and, "QS will be an authorizer which fosters the development of new and different learning models. While some of these will not have a strong research base, they will have a strong set of hypothesis which they are testing."

#### *Prioritization of Authorizer Options*

When balancing experience with peer and near-peer schools with opportunities for co-location of services and alignment with the long-term plans of transition into MPS, the five authorizers discussed above are prioritized as follows:

- 1) Novation Education Opportunities (NEO)
- 2) Pillsbury United Communities (PUC)
- 3) Innovative Quality Schools (IQS)
- 4) The Minneapolis Public Schools District (MPS)
- 5) The Minnesota Guild of Public Charter Schools (the Guild)

This list reflects the following characteristics, in preference order:

- 1) Experience with peer schools (NEO > PUC > IQS > MPS > the Guild)
- 2) Opportunities for co-location and collaboration with other services (PUC > MPS > the Guild > NEO = IQS)
- 3) Expressed willingness to experiment with school design (NEO = IQS > PUC > the Guild > MPS)
- 4) Likelihood of helping in the transition into MPS (MPS > the Guild > IQS > NEO = PUC)

### *Summary*

Based on an assessment of the active charter school authorizers in the state of Minnesota, the most common authorizers among peer schools, and the client school's individual prioritized characteristics, it is recommended that the client school first pursue Novation Education Opportunities (NEO) as its authorizer. In the event that NEO does not take on the client school as one of its authorized schools, it is recommended that the client pursue authorization with Pillsbury United Communities, Innovative Quality Schools, the Minneapolis School District, and the Minnesota Guild of Charter Schools, in that order. Following these recommendations should increase the likelihood that the client school's authorizer will be supportive of the client school's instructional model and target student population, which are high priorities for a charter school.

## II. Governance

Sitting as they do at the intersection of the public and nonprofit sectors, charter schools in Minnesota reflect aspects of both in their governance systems. Questions of representation, accountability, management, and responsibility all combine in the composition of charter school boards, the management structures of schools, and the relationships between students, families, staff, and the board. Multiple models have developed that answer these questions in different ways, and identifying or creating the right model to fit a particular school's character and needs is a critical part of its development. In the case of the client's school, the recommended governance model features heavy inclusion of democratic elements, especially with regard to teacher involvement in decision-making, although it maintains some hierarchical elements and reserves final say on many matters for the principal.

### *Legal requirements for charter school governance in Minnesota*

The basic framework for charter school governance in Minnesota is established by state statute (specifically, 124D.10). A charter school must have a board of directors, who answer to the authorizer, as well as an executive director, who answers to the board. While a school's initial board can be recruited and approved without an election, its ongoing board (elected, at the latest, before the end of the third operational year) is selected by the families of students in the school.

The ongoing board is required to include, according to statute, "at least one licensed teacher employed as a teacher at the school or providing instruction under contract between the charter school and a cooperative," "at least one parent or legal guardian of a student enrolled in the charter school," and "at least one interested community member who resides in Minnesota and is not employed by the charter school and does not have a child enrolled in the school."

These requirements lend statutory weight to the importance of representing teachers, families, and the general public on the board. Additionally, the statute prohibits non-teacher employees and contractors from serving on the board (except for the chief financial officer and chief administrator, who are allowed only to serve as ex-officio, nonvoting members), and requires that the board include at least five nonrelated members.

The statute also allows charter school boards to include clear majorities of teachers, parents, or community members, as well as allowing for boards with no clear majority. These suggest several different approaches to representation and governance, and allow for great variety in board composition.

Beyond board composition, the statute clearly indicates a chain of responsibility, in which the state is responsible for approving and overseeing authorizers, authorizers are responsible to the state for approving and overseeing schools, a school's board is responsible to the authorizer for approving and overseeing administrative staff, and the administrative staff are responsible to the board for hiring and overseeing the rest of the staff. This chain of responsibility further emphasizes the importance of the board in charter school governance. For example, while traditional school district boards are generally only responsible for the hiring of the superintendent (who in turn has responsibility for establishing and maintaining the rest of the district's administrative structure), charter school boards are responsible for defining qualifications for staff roles overseeing "instruction and assessment; human resources and personnel management; financial management; legal and compliance management; effective communication; and board, authorizer, and community relationships." Additionally, boards are empowered to (and responsible for) setting policy governing "budgeting, curriculum programming, personnel, and operating procedures."

In other words, per state statute, charter school boards represent the major mechanism for school governance (although staff still retain most of the authority for day-to-day management and the selection of authorizer is important), and their role closely resembles that of a nonprofit organization's board, with certain democratic requirements in place. This is important for analytical purposes, as the practices and conditions that affect nonprofit boards' effectiveness may in many cases be a better analogue for charter school governance than are the practices and conditions of traditional district school boards.

#### *Hierarchical vs. democratic governance*

While the distinctions between traditional district school board governance, nonprofit governance, and charter school governance are important, they are not the only dimension for variation in governance. The statutory structure for charter school governance in Minnesota also allows for significant variation in governance models based on the degree to which they are hierarchical or democratic. This is obviously not a binary distinction. There exists a wide range of models, some of which are more hierarchical and some of which are more democratic. These distinctions most often manifest in differences between who sits on charter school boards and how they participate.

At the hierarchical extreme, the representation and participation of teachers and families on the board is near the legal minimum, with more emphasis placed on the participation of outside community members who can bring a wide range of professional expertise and connections. The hierarchical board model is recommended, for example, by the National Charter Schools Institute (NCSI) at Central Michigan University. Although the NCSI does not use the exact term "hierarchical," its recommendations about board governance emphasize the board's place as "the highest authority in the organization" and place particular focus on the

board's role in setting expectations and ensuring compliance (Goenner, 2014). This is in contrast to more democratic models which treat the board as another forum in which the business of the school is conducted. The hierarchical board, then, serves as more of an independent auditor, setting rules and policies and emphasizing the accountability of administrative staff in following those systems and achieving the desired results of the school. The more involved such a board is with the governance and operation of the school, the more its hierarchical nature matters. By their nature, hierarchical models also create more space for outside stakeholders to support the organization (in this case, the school), especially if they offer access to social capital that would otherwise not have been available (Fredette and Bradshaw, 2012, in the context of nonprofit governance generally).

At the democratic extreme, the participation of outside stakeholders on the board stays near the legal minimum, with most of the participation being conducted by teachers, the family members of students, or both (Williams, 2007). In these cases, the board serves more as a tool for empowering the participating stakeholders in guiding the policies and leadership of their workplace or the school their children attend. As with hierarchical models, the more active such a board is, the more its democratic nature matters.

Minimally active boards (whether democratic or hierarchical in composition), which are often the norm in Minnesota, often do not significantly impact the effectiveness of the organization (Stone, Zhao, and Cureton, 2012). However, active boards, especially those that offer access to social capital, present significant opportunities to aid the development and sustain the operations of the organization (Fredette and Bradshaw, 2012). As such, recruiting and designing an active board that best fits the character and needs of the client school should be a priority.

### *Examples from the spectrum of democratic governance*

While many charter school boards are not particularly active, several of the active charter school boards in Minnesota fit the hierarchical model, which closely resembles the governance model of many active nonprofit boards as well. The benefits of this model, especially in leveraging outside expertise to aid in program development, fundraising, accountability, and navigation of legal requirements, are understood as an extension of the benefits of social capital for nonprofit governance (Fredette and Bradshaw, 2012). However, there are some examples of active democratic models that are instructive, and many Minnesota charter schools with “alternative” programs similar to the client’s intended program operate with some sort of democratic board, suggesting that further investigation of democratic models in particular may be relevant for the client. While the Minnesota New Country School may be the oldest example of this, Avalon Charter School in Saint Paul has made public several documents chronicling its work with a highly democratic governance model (Bakken, Whalen, and Sage-Martinson, 2010; Kerchner and Mulfinger, 2010). These describe the features and benefits of the model, as well as ways in which the model has evolved over time. Complementing this specific local case is a small body of largely descriptive research that codifies some of the key aspects of democratic charter school governance.

The Avalon case exemplifies both the difficulties and benefits of “extreme” democratic approaches to charter school governance (Bakken, Whalen, and Sage-Martinson, 2010). The focus on the democratic model extends throughout the operation of the school, to the point where students themselves are given significant input and power in many aspects of school operation (Kerchner and Mulfinger, 2010). However, the model has not been static. For example, an early leadership crisis – in which a bloc of founding teachers found it necessary to assert their power

over a smaller group of heavily invested parents – points to the limitations of a very broad construction of democratic governance in moderating the differences between “constituent groups” (Bakken, Whalen, and Sage-Martinson, 2010). This suggests that the client should take care in designing their board structure and setting governance expectations to head off some of these concerns. A board which reserves seats for all or most of its teachers and which operates with an appreciably smaller parent bloc, for instance, would keep governance democratic with respect to teachers, but less so for family members.

Another example of Avalon’s evolution is the gradual formalization of the role of principal. As is suggested in other literature, it is not uncommon for democratic schools to nonetheless elect a designated “school leader” to carry out many of the necessary functions generally associated with a school principal (Hawkins, 2009; Williams, 2007). Over time, Avalon has demonstrated a similar evolution (Kerchner and Mulfinger, 2010). These examples suggest that even schools founded with governance models as close to “pure” democracy as can be achieved nonetheless develop a certain amount of hierarchy. As such, it may be advisable for the client’s school to be more intentional in defining its hierarchical and democratic elements to reduce the likelihood of hierarchical elements being created with less planning and in response to predictable problems.

With these caveats, it is also clear that the benefits of a structure with many democratic elements are real. In terms of teacher, family, and student satisfaction, for example, schools with many democratic elements (if not pure democracy) show positive results (Hawkins, 2009). Relatedly, the benefits of participation in increasing teachers’, families’, and students’ sense of ownership, empowerment, and mutual responsibility for success are also reasonably well-documented (Hawkins, 2009; Williams, 2007). When working, as the client intends, with

families and students who are likely to feel less empowered and in control of their lives and school experiences than the norm, these benefits are particularly important.

#### *Characteristics of an effective charter school board*

The characteristics of an effective charter school board are still somewhat difficult to discern from the literature, in part due to a relatively small amount of research on the subject and in part due to the relatively small population of effective charter school boards. While some boards can be deemed outright ineffective, and some considered effective, most boards have not been seen to have much substantial impact on the factors assessed by the available research (Stone, Zhao, and Cureton, 2012). This may be due to generally low levels of board activity, minimal expertise or useful insight from many board members, ineffective design and recruitment, other factors, or some combination. To the extent charter school boards have been found to be effective, it would appear that the most important criteria to satisfy are involvement and expertise. That is, enough board members must display sufficient involvement, informed by sufficient and diverse expertise, for the board's impact to be seen and to be positive.

#### *Characteristics of an effective nonprofit board*

To expand on this, it is useful to return to the analytical potential of nonprofit boards as an analogue for charter school boards. There exists a much larger body of research concerning effective nonprofit board governance, and to a large extent it reinforces the conclusions drawn from the smaller body of research on effective charter school governance. Specifically, nonprofit boards are at their most effective when they are active (but not to the point of micromanagement) and when the backgrounds of their members, in aggregate, provide a diverse range of perspectives and – importantly – expertise in matters that may be less familiar to the organization's staff (Fredette and Bradshaw, 2012; Harris and Helfat, 2007). Specifically, legal

expertise, financial management expertise, and fundraising potential are all positive characteristics to have reflected on a board, especially for smaller nonprofits that are not as able to easily afford ongoing professional consultations with attorneys or accountants, or to hire their own development directors. Especially in the early days of a charter school, when it is first navigating the state's approval procedure, establishing its financial management system, and raising nongovernmental funds, the backgrounds of board members would seem to be particularly useful.

### *Recommendations*

Based on the available literature about the benefits of diverse expertise among board members of nonprofit organizations, the mission-related benefits of democratic governance in alternative charter schools, and the practical experiences of the many schools that have found it necessary to adapt their governance structures away from purely democratic governance, it is recommended that the client's school adopt what might be a blended form of governance, which hybridizes several of these elements within a generally democratic context.

Specifically, it is recommended that, at the on-the-ground level, the school adopt a model which formally collects several key responsibilities into a principal role, with the principal to be selected from among the teachers on staff. Based on the client's preferences, the principal would receive final say (potentially at the culmination of a discursive process) over professional improvement plans, implementation of schoolwide changes, personnel allocation, curriculum oversight (though not necessarily creation/selection), instructional oversight, school safety, and staff recruitment, selection, evaluation, and retention. Other responsibilities would be assigned to various administrative roles, but teachers would receive a vote in determining who fills those roles and would be able to take on certain administrative responsibilities in a part-time capacity

(as legal and appropriate), with the remainder of their time staying with classroom work. For example, one of the responsibilities of the board as identified by state statute is to establish qualifications and responsibilities for administrative staff charged with curriculum development. Should it prove practical, these responsibilities could be undertaken on a part-time basis by a teacher, who would devote the rest of their time to their conventional instructional work, and whose work would be overseen by the principal. If no teachers are interested in taking on particular responsibilities, they could be merged into the principal's responsibilities or additional staff could be hired to complete them, depending on what is deemed practical and appropriate for the individual case.

At the board level, it is recommended that the operating board (i.e. that which is elected no later than the end of the third year of operation) set aside seats for non-principal teachers equal to the number of teachers on staff, and that this number be one seat greater than half the total number of seats on the board. The remaining seats would be divided evenly between community members and parents or legal guardians, with parents/legal guardian given the extra seat in cases where an arithmetically even split is not possible. Additionally, it is recommended that a number of *ex-officio*, nonvoting seats equal to the number of parent/legal guardian seats be created for students. For example, if the school employed nine teachers other than the principal, the board would include all nine teachers, four community members, and four parents/legal guardians, with four students in *ex-officio*, nonvoting seats.

Such a board clearly sends the message that, should the teachers at the school be united on a particular issue before the board, they are empowered to take their preferred action. In the (likely quite frequent) situation where the teachers are not perfectly united, coalition-building will need to occur. Reserving seats for outside community members also allows the board to

cultivate legal, financial, and other expertise (and social capital) that is helpful for maintaining the school's operation. Granting ex-officio, nonvoting seats to students creates a clearly defined set of expectations regarding the amount of visibility and power students will have with regards to board-level governance. This clarity is important in managing expectations and producing effective student involvement.

This structure will necessitate a large board, and it should be expected that much of the work of the board would be conducted in specialized committees rather than by the board as a whole. Whole-board meetings and activities would ideally be limited to legally required functions, with active participation in committees taking up most of the time board members spend on board-related activities.

While the ongoing board composition should reflect the ratios described above, the initial board composition during the school's earliest years should more closely resemble that of a nonprofit in its early years of development, with an emphasis on adaptability and social capital. Specifically, the early board should be smaller, and its membership should be carefully cultivated to emphasize legal expertise, fundraising potential, financial management expertise, connections to the intended community of students, and any other key areas of expertise or important relationships deemed beneficial to the school as it navigates the unique challenges of starting up.

To this end, early board recruitment should focus on identifying and securing a board of roughly five to seven individuals with high potential in the prioritized areas. After the school has grown more established, it will be important to maintain these skill sets and relationships as board members circulate through the community member positions, with particular priority attached to legal and financial expertise.

## *Summary*

Combining knowledge of state statutes, the available literature on charter school and nonprofit governance, local case studies, and the intended character of the client's school, it is possible to make some recommendations to the client concerning the governance of their school. Specifically, it is recommended that, at both the day-to-day and board levels, the school grant significant democratic-style power to its teachers (and to a somewhat lesser extent its parents and students), while maintaining some clear boundaries and roles to avoid the confusion and ineffectiveness that can accompany "pure" democratic governance. Additionally, it is important that the school's board reflect a range of outside expertise that can be used to the school's benefit, with the prominence of members with this expertise reducing as the school becomes sustainably operational.

### III. Human Resources

Because so much success in education depends on the quality of instructors and the relationships between instructors and students, the human resources aspects of school design and operation are critical to the success of any school. Getting the right people into the right positions, supporting them in professional growth, identifying effectiveness, retaining effective people, and responding productively to those who are struggling are all important to a school's long-term operation. In the case of the client school, while the principal will have final say on many of the following matters, the significant democratic elements in the school's governance mean that the following discussion will focus on the principles of effective human resources practices in charter schools, with the understanding that the specifics of many policies will be determined by the school's personnel. Additionally, the focus will be on instructional staff; policies for non-instructional staff will be developed in more detail at a later date (outside the timeframe of this analysis).

#### *Ideal profile of instructional staff in aggregate*

The ideal profile of the client school's instructional staff must be informed by the intended emphasis on students with atypical learning needs, the use of alternative approaches to instruction, and the expectation of democratic involvement by staff in the governance and operation of the school. It is also important to consider the ideal instructional staff as a group with several diverse characteristics, rather than focusing on the singular "ideal teacher."

As a group, then, the instructional staff at the client's school should include teachers with a range of experience and personal/cultural backgrounds, but who are all similarly invested in the core instructional model and democratic-infused approach to governance at the school. While experience is only associated with consistent increases in teacher performance (generally as

measured by standardized tests) in the first five to ten years of a teacher's career, there is additional evidence that teachers who are allowed to work with the same grade level of students consistently show gains from experience for approximately twenty years (Huang and Moon, 2009). Since the client's school would operate without fixed grades, all teachers would essentially be teaching the same grade level throughout their time at the school, and increased experience in that environment would allow teachers to keep increasing their effectiveness for much of their career at the school.

While it is therefore important to have experienced teachers, it is also important that teachers' experience levels be distributed across a range so that the school can avoid losing a large share of teachers to retirement in a short period of time. During the schools' early years, it will be important that the experience distribution emphasize teachers with more than five years of experience (as essentially all research confirms that teachers are still building effectiveness during their first five years), so that the school can benefit from their knowledge. Eventually, it may be advisable to bring in less experienced teachers, once the school is in a position to support them in their development. For the first three to five years, though, the equivalent of a "novice" at the client's school should be a teacher with five to ten years of experience.

At the same time, the mindsets of the school's teachers must be in alignment with the mission, values, and intended practices of the school. Some very experienced teachers, especially those with backgrounds in progressive and democratic education and who feel stifled in districts that have grown increasingly prescriptive in their approach to instruction, may be persuadable subjects for recruitment. Teachers towards the less experienced end of the target distribution may have less hands-on experience with the school's intended instructional model (as the general practice in many districts in recent years has been towards teacher-centered instruction and

scripted curricula), but may be more flexible in adapting to the school's approach. Whatever their profile, it is important that teachers share the school environment's required mindset, as alignment of staff with mission and values is a key condition for effectiveness for many organizations (Bolman and Deal, 2008).

Beyond experience and mindset, diversity of race, culture, gender, and background will likely improve performance, provided the staff is well-managed with respect to workplace expectations and, in Gonzalez and DeNisi's words, "shared perceptions of justice" (2009, writing with respect to general, rather than school-specific, work environments; Ladson-Billings, 2005, in the context of schools and teacher education/preparation). Creating a diverse context will help students and teachers alike undermine the implicit biases that pervade U.S. society and frequently undermine efforts to work across identity groups (Ladson-Billings, 2005). Additionally, diversity of background has been found to be beneficial for decision-making, which is also important given the intended democratic elements in the school (Sommers, 2006, in the context of group processes). Finally, diversity of staff will increase the likelihood that students can find staff members with whom they can identify and who can easily serve as role models. While it is certainly possible for students to identify with and model themselves after adults from other backgrounds, the greater the similarity that exists, the easier it is for students to build that affinity. Such an affinity in turn will build attachment to the school, which is a clear benefit for the intended student population. Because the ideal student body is likely to be diverse, it is important that the staff be as similarly diverse as possible.

#### *Ramifications of democratic/republican model on key HR concerns*

In addition to considering the implications of the ideal instructional staff on human resources design and practice, it is also important to recognize the ways in which the democratic

elements of the client school's governance model will affect some of the most important aspects of human resources management. Even when the principal has the final say over hiring new staff and many aspects of performance evaluation, feedback, and improvement, the power granted to teachers by the school's governance approach in the development of those processes means that specific policies may well be fungible and that engaging in excessively detailed recommendations is likely unproductive, since those specifics could be altered by teachers once the school has come to be. Instead, the following recommendations will focus on key values and concepts that the client should seek to preserve in human resources policies. The available literature does offer some insight into core principles that should be preserved, even as the specifics may be altered through democratic processes by the teachers at the school. Thus, the following recommendations are intended to be useful when choosing which aspects of human resources policies to defend or advocate for, and which to be flexible about, rather than as detailed proposals.

### *Recruitment*

Recruitment of instructional staff that, in aggregate, satisfies the ideal instructional staff profile requires active pursuit of strong candidates, clarity about the nature of the school, and the cultivation of multiple "pipelines" of potential future staff.

Especially with diversity of staff experience and background being a priority, active pursuit of candidates who reflect these goals must be an intentional component of the recruitment process. In a state where the teacher candidate pool is overwhelmingly white, the vast majority of candidates who go through a passive application process (i.e. one where a job is posted in various forums and applications are received) will reflect that pool. Breaking from that norm will require conscious effort. To that end, it is recommended that the client cultivate a wide range of

relationships with those in a position to help identify strong candidates, and then enlist those people to actively search for strong candidates. These could include alumni affairs personnel for schools of education and alternative licensure programs like Teach For America, friendly union leaders or representatives (especially those who work with district teachers who are clashing with administration in their current positions but who might be more amenable to the client school's approach, as voluntary resignation and transition to the client's school may be preferable to ongoing tension), and – eventually – student groups aimed at people of color in schools of education. Once these relationships have been built and are identifying possible candidates, it is recommended that the client or other representatives of the school take a very hands-on approach to building relationships with high-potential candidates and recruiting them to work at the school. Especially in the early days of the school, it will be important to invest time and energy into this active process rather than relying on more conventional passive strategies.

With that said, it is important that new staff be well aware of the client school's instructional model. Excessive dissonance between the work a new teacher thinks they are taking on and the reality of that work will likely result in tension and unnecessary turnover, and high turnover is well-documented as being problematic for students and other teachers. Teachers who are expecting a “standard” teaching job will likely experience this sort of dissonance, hence the importance of clarity during the recruitment process.

Finally, while active pursuit of candidates is necessary, especially for the purposes of building an early staff with the preferred distributions of experience and personal background, it is unrealistic to expect that every teacher can be personally recruited by a staff member at the school. Given the relatively specialized nature of the work at the client's school, it will therefore

be important to develop multiple “pipelines” that direct candidates to the school without requiring direct action on the part of school staff in each case. These can include the relationships described earlier, but a few key options should receive particular attention.

The first is alumni-related personnel at the Twin Cities region of Teach For America. In addition to working with alumni from the Twin Cities region, these personnel also support alumni who taught in other regions and then moved to the Twin Cities. Many of these alumni are still teachers, and the TFA-Twin Cities alumni outreach personnel have a history of working with these alumni to identify possible jobs in the area. Assuming that these personnel can effectively recognize TFA alumni who would be a good fit for the client school’s instructional model (which does differ from the general pedagogical model taught by TFA), they can serve as one pipeline of candidates. Given TFA’s recent trend of recruiting a teacher pool that is more racially and ethnically diverse than the general teacher population, this pipeline may prove particularly fruitful.

Another possible pipeline is the community of more established alternative schools. Many of these schools – such as the High School for Recording Arts and Avalon – have reputations that will attract candidates with similar pedagogical preferences to those of the client’s school. This allows for the possibility of a mutually beneficial arrangement where the client’s school and other alternative schools agree that, when multiple strong candidates apply for a position, those who do not get the position are made aware of other alternative schools in the area that might also be looking for staff. Especially in the school’s early days, this may prove a helpful source of teachers, although it is unclear how well they would match the school’s ideal profile for experience distribution and background diversity. This demonstrates the importance of building multiple pipelines.

As discussed earlier, other potential pipelines include alumni affairs personnel and student groups at schools of education, although student groups will likely be more useful after the client's school is well enough established that new teachers can be successfully supported when they join the staff. Another potential pipeline for the occasional strong candidate would be union representatives, assuming that the candidates they refer are genuinely good matches for the school when it comes to mindset and pedagogy. Since the client school's intended pedagogical approach is very different from that of many district schools, it is conceivable that individuals who would make for effective teachers in the client's school would struggle within the confines of their district placement. To the extent union contacts can be useful in identifying, directing, and recruiting these teachers, this can make for a desirable situation where client's school gains a good teacher, the teacher leaves a difficult situation, and the union can put the energy it was putting into teacher's case into other cases that are more difficult to resolve. Recognizing that this requires several conditions to be met, the union pipeline should not be relied upon as a major source of teachers. Still, it may prove useful.

### *Retention*

Several factors have been identified as affecting teacher retention, especially with respect to teachers' choices about whether to stay at a school or leave. In general, some of the most significant factors are feelings of support, the novice/veteran focus of the work environment, and a sense of opportunities for professional development and increased mastery (Boe, et al., 1997; Borman and Dowling, 2008; Schaefer, Long, and Clandinin, 2012). Notable for its prominence in public debate, if less in its apparent effect on retention, is salary, which does appear to increase retention among more experienced teachers, but which is not as sure a predictor of retention as its position in public discussion might warrant (Borman and Dowling, 2008). It

should also be noted that, at least anecdotally, it is not uncommon for teachers at schools with significant democratic elements to keep their salaries lower than average so that the budget can be used in other ways.

While the specifics of administrative support will be built and adapted over time by the teachers at the client's school, the client should ensure that human resources policies incorporate opportunities and expectations for productive administrative support of teachers. Feeling unsupported by administrators has been shown to be a significant contributing factor in a teacher's decisions to leave their school (Boe, et al., 1998; Borman and Dowling, 2008). Since the recommended democratic elements of the client's school mean that administrative responsibilities will be shared among teachers, there should be several options for incorporating support into observation, evaluation, feedback, and development processes.

Another contributing factor to teacher retention is the degree to which a school balances its attention and support of novice and veteran teachers. The research suggests that schools which successfully maintain a balanced focus on both veteran and novice teachers retain more of their teachers than do those that focus heavily on either novices or veterans (Schaefer, Long, and Clandinin, 2012). This connects back to the diversity of experience levels on the ideal instructional staff, since a broad distribution of experience levels, combined with democratic elements, should help the school stay blended in its veteran/novice focus. However, it will be important for the client (and future school leaders) to be conscious of promoting this balanced focus, especially when the composition of the instructional staff skews more to one end or the other of the experience distribution.

Additionally, ensuring that the professional improvement and career development pathways available to teachers are varied and aligned with teacher interests can be beneficial to

teacher retention. One of the more common complaints registered by teachers is that, after a baseline of competence has been built, the school's attention to meaningful, personalized development or new career opportunities taper off (Borman and Dowling, 2008). On the latter point, the client's school should benefit from its democratic elements, provided the client and other leaders are intentional about helping teachers use those democratic elements to create meaningful career pathways that blend instructional responsibilities with other responsibilities that are meaningful to participating staff. With respect to building a sense of mastery via personalized professional development, the school would do well to maintain a shared understanding of different dimensions of effectiveness, preferably defined in some form of living document that can be altered by teachers as the school changes and their understanding of effective teaching within the school's particular context improves. Having a shared set of reference points for mastery, especially when combined with effective administrative support and a sense of shared responsibility for success (as is often promoted in schools with major democratic elements), could prove very helpful in retaining teachers, even when working with a high-need student population under potentially stressful circumstances.

#### *Performance evaluation, feedback, and improvement*

While the specifics of performance evaluation, feedback, and improvement will, as noted previously, be influenced strongly by teachers' contributions and ideas, it is nonetheless possible to identify some guiding principles that the client should ensure are included in the final decisions. These include clarity of expectations, identification of a limited number of "next steps" for improvement, and professional development that is long-term in nature and responsive to identified teacher needs.

The literature is fairly unequivocal on the importance of clarity in setting expectations for professional performance (Avalos, 2011; Nipper, et al., 2011; Paik, et al., 2011). Absent this clarity, employees are likely to feel adrift or unsupported, which has already been noted as a major factor in teachers leaving their schools. The particular standards and definitions that the client school uses do not need to be drawn from any pre-existing model, but they should be clear and agreed to by the staff. Many of the rubrics already in existence for teacher effectiveness may be more appropriate in the more conventional, teacher-centered model of instruction. Instruction of students in a more student-driven, project-based model may require different standards for teacher effectiveness. As such, it is possible that the client school's staff will take it upon themselves to create their own rubric or system for describing effectiveness. This is acceptable, so long as the expectations are clear and the system can be adapted as the staff learns more about what constitutes effective teaching in their particular context.

Given clear expectations, it is then important that teachers be able to identify – both individually and with the help of outside observers – a limited number of next steps for improvement. Asking a teacher to improve in a large number of areas at the same time is likely to be counter-productive, resulting in scattered attention and minimal, if any, improvements in most or all of the desired areas (Avalos, 2011; Rhodes and Beneicke, 2003). The school's performance evaluation and feedback system should lead teachers to work on at most three (and ideally one) area at a time, with a clear definition of what improvement in that/those areas looks like. This definition should be focused on the teacher's knowledge, skills, or mindsets rather than on outcomes. For example, a teacher is unlikely to display significant improvement when they are told to increase student reading comprehension scores if they do not have a clear idea of how to do so (Avalos, 2011). However, a teacher who is advised to pick three strategies for teaching

literacy from a menu of options, learn those strategies, and then consciously incorporate them (with appropriate observation and feedback to help with growth) will have a much easier time following through.

Finally, professional development should be long-term and responsive to teacher needs. Research suggests that the exact format of professional development is less important to its effectiveness than its duration, with sustained professional development on a topic, revisited multiple times a year, much more helpful than “one-and-done” sessions in any given format. Additionally, the more teachers see an alignment between the topic of their professional development and their particular areas of needed growth, the more likely it is that the professional development will be translated into practice (Avalos, 2011; Chval, et al., 2008). To this end, it is recommended that the client advocate for professional development topics to be selected by groups of teachers with shared needs, and for development on those topics to be sustained over multiple sessions during the year and supported by the school leader and other appropriate staff who engage in observing, evaluating, and/or providing feedback to teachers.

The use of extrinsic incentives for professional improvement is generally to be avoided, since much of teaching is a creative act and creative skill improvement has been shown to be encouraged much more by the conditions of purpose/relatedness, mastery/competence, and autonomy (Deci, Koestner, and Ryan, 2001; Deci, Ryan, and Koestner, 1999; Ryan and Deci, 2000). Fortunately, the job of teacher provides a reasonable sense of purpose/relatedness. Most teachers tend to be service-driven with the goal of helping students learn, and so long as they see professional improvement processes that support that goal, they will be reasonably likely to engage with those processes. The likelihood of engagement increases further when there is a clear path to mastery, which is where the clarity of expectations is important. When there are

clear paths of development along key skills, and when teachers can see their progression along those paths, they will be more likely to participate in those processes in good faith (Ryan and Deci, 2000). This is amplified further when teachers have some degree of autonomy in pursuing their own development, as supported by teacher-selected professional development topics and the inclusion of teachers in the identification of their own next steps for improvement. These components combined produce teachers exercising a certain amount of control along a well-understood progression of mastery towards a goal which they find purposeful. This has been shown to be much more useful in encouraging increased effectiveness at creative work than have extrinsic incentives, which may even prove counter-productive (Deci, Ryan, and Koestner, 1999).

### *Summary*

There are many facets of human resources processes that must be addressed in the development of a charter school, and this section has narrowed its focus to guiding principles that affect the instructional staff. This choice reflects the constraints of time and length in the development of this paper, and it is understood that more will be done with the client after this paper is completed to develop these principles further and to develop human resources plans and processes for non-instructional staff.

Nonetheless, this section has presented a set of recommendations for the ideal composition of the instructional staff, with an emphasis on mission alignment, experience, and diversity. These values are reflected in the recommendations regarding active recruitment and the cultivation of “pipelines” of potential teachers. With regard to retaining, evaluating, and developing teachers, recommendations have been made concerning administrative support, the balancing of novice and veteran needs, and establishing clear expectations and paths to mastery.

#### IV. Market Analysis

An important consideration for any new charter school is whether it will be able to draw enough students to sustain operations. This reflects the two core economic concepts of demand and supply. Demand, in this case, refers to the number of students in the school's target population in its service area. Supply refers to the number of seats in schools serving that population. If demand exceeds supply, the school can focus more on noncompetitive identification and recruitment of potential students. As supply grows relative to demand, however, the school's strategy will need to be more competitive and emphasize the ways in which it is distinguished from similar offerings. A track record of strong performance is obviously helpful here, but would not be enough in a tight market.

##### *Service Boundaries*

Under Minnesota state statute 124D.10, section 9(a)(3), charter schools may restrict their enrollment area to "a specific geographic area in which the school is located when the majority of students served by the school are members of underserved populations." The school, however, is not required to make that restriction, and at present there does not appear to be a compelling rationale for the client school to engage in such restriction. Technically, then, the client school's service boundaries are open, although functionally it can be expected that the service area is the city of Minneapolis, with some potential students also entering from Saint Paul or nearby suburbs.

##### *Target Population*

In broad strokes, the client school's intended student population is students who meet the criteria established by the Minnesota state statute defining the Graduation Incentives Program.

Students who meet any of the criteria are considered eligible for the program. Specifically, these criteria, listed in statute 124D.68, section 2, include students who:

- perform “substantially below the performance level for pupils of the same age in a locally determined achievement test,”
- are “behind in satisfactorily completing coursework or obtaining credits for graduation,
- are “pregnant or...a parent,”
- have “been assessed as chemically dependent,”
- have “been excluded or expelled” from their previous school,
- have “been referred by a school district for enrollment in an eligible program,”
- are victims “of physical or sexual abuse,”
- have “experienced mental health problems,”
- have, “experienced homelessness sometime within six months before requesting a transfer to an eligible program,”
- speak “English as a second language,” or are English learners,
- have “withdrawn from school or...been chronically truant,” or
- are “being treated in a hospital in the seven-county metropolitan area for cancer or other life threatening illness” or are siblings of such students.

The last criterion is not particularly in the target population of the client school, and the English learner criterion is not a primary focus of the school. To the extent necessary, however, the school will provide the appropriate supports for students that meet these criteria. The remaining criteria are the more relevant descriptors of the target population.

One additional subgroup not covered by these criteria but still considered by the client to be in the intended target population is the set of students with high academic potential but whose

academic performance to date is substantially lower than that potential would indicate. For example, a student who is capable of earning largely A or B grades with minimal effort but who instead earns primarily D grades would be considered in this subgroup. These students are believed to be in need of a different instructional approach, such as that offered by the client school. Identifying students in this subgroup is naturally more difficult, as the standards are less concrete and would rely on outside observers' (e.g. parents' or teachers') assessments of student potential relative to performance. Because of this difficulty, the remainder of this analysis will limit its focus to students covered by the statute's criteria, as gathering data on students in the final subgroup is prohibitively difficult.

#### *Students in Service Area and Target Market*

Given the described target student population and a likely service area of Minneapolis (with secondary consideration given to Saint Paul), the next level of analysis is to estimate the number of students in the target population that are in the service area. Multiple sources of data will be considered to define the range of potential students:

- 2013 four-year dropout count for the Minneapolis Public Schools District (MPS), multiplied by four. While the client school would not necessarily target a dropout from the class of 2013, a student likely to drop out from a future class represents a potential student, so understanding the approximate size of that population is highly relevant.

- The 17% alternative program service rate for the state of Minnesota, applied to MPS high schools and the population of charter high schools in Minneapolis (Minnesota Department of Education, "Alternative Learning," 2012). Alternative programs serve students who meet the statutory criteria identified above, and it is unlikely that the district and charter schools of Minneapolis have a below average rate of need for those programs.

- The count of 2012-13 high school students in MPS identified as not meeting standards on the 10<sup>th</sup> grade reading Minnesota Comprehensive Assessment (MCA) or the 11<sup>th</sup> grade math MCA, multiplied by two to extend approximate ninth and twelfth grade.

Each of these indicators is an imperfect proxy for the number of students in the target population. Considering them together, however, should give a sense for the approximate number of students in the target population.

The data are summarized in the following table.

Table 2: Target Population Indicators		
Indicator	Calculation	Student Count
2013 MPS dropouts	(# of 4-year dropouts) * 4	1933
Alternative program rate	(# of MPS and Mpls charter students) * 17%	4583
MPS “Does Not Meet”	(Reading DNM + Math DNM) * 2	2586

(All data from Minnesota Department of Education)

Even assuming near total overlap of likely dropouts and students at the “Does Not Meet” level of proficiency, these two indicators suggest more than 2,500 Minneapolis students are in the target population. Even if the students included in the alternative program rate calculation include all of the students in the other two categories, and even if that calculation is an overstatement of need, it seems reasonable to estimate that at least 3,000 Minneapolis students are in the target population. The number may be appreciably higher, but so long as the population served by existing competitors in Minneapolis is 3,000 or lower, it is very unlikely that the client school is entering a highly competitive market.

### *Current Options for Students in Target Market*

While the conventional high schools in MPS are the default point of service for high school students, several alternatives exist, some of which are specifically aimed at a similar student population. These include:

- Area Learning Centers (ALCs) within the MPS district
- Contract alternatives, which are private providers contracted with MPS
- Existing charter schools targeting similar populations

Of these, ALCs and contract alternatives are listed on the MPS web site, and the Minnesota Association of Charter Schools maintains a comprehensive directory of charter schools by location and service (Minnesota Department of Education, “Alternative Schools,” 2012; Minnesota Association of Charter Schools, 2014). Using these sources and MDE data on student populations, it is possible to construct a reasonable estimate of the number of students in the target population currently being served by existing schools and programs.

Specifically, ALCs and contract alternatives serve just over 1,100 students in Minneapolis, and charters with a similar student population serve something under 600 students. Even allowing for some misidentification or inaccuracy, it would appear that existing alternatives serve 1,800 or fewer students in the target population. Relative to the likely size of the target population, this means that there are, conservatively estimated, at least 1,200 students in the target population not being served by existing programs. For the client school, this means that some work will be necessary to distinguish itself from other programs, but that a substantial amount of building a student population will involve identification and recruitment rather than direct competition with peer schools. The market is not static, however, and the client school must be prepared to more competitively distinguish itself should additional new schools enter the

field. The best available knowledge does not suggest any such new schools are likely to open, although it is possible that some of the district's contract alternative programs could be converted to charter schools; it is unclear what effect, if any, this would have on their enrollment.

#### *Client School's Distinguishing Characteristics*

The client school's significant emphasis on project-based learning will be a distinguishing characteristic in the Minneapolis marketplace. While Saint Paul features multiple charter schools in that category – Avalon Charter School, Face to Face Academy, the High School for Recording Arts, and the Jennings Community Learning Center – the offerings in Minneapolis are scarcer.

The major alternative charter schools in Minneapolis are Augsburg Fairview Academy, the Minnesota Internship Center, and the Minnesota Transitions Charter Schools Alternative Learning Program (ALP). Augsburg Fairview operates primarily with a focus on wellness, rigor, and college preparedness (Augsburg Fairview Academy, 2013). The Minnesota Internship Center is largely focused on workforce preparedness and a teacher-driven "Circle Learning" approach (Minnesota Internship Center, 2013). The Minnesota Transitions Charter Schools ALP is similarly workforce preparation driven, with additional emphasis on independent study and online learning for credit recovery (Minnesota Transitions Charter Schools, 2013).

This suggests that there is an opportunity for a school in Minneapolis with a significant project-based learning component. The client school is well-positioned to fill this niche, and it is recommended that the school emphasize that aspect of its design in recruiting students and distinguishing itself from existing alternatives. With that said, there are lessons to be gained from the schools that do exist, since they have proven an ability to succeed at attracting students in the current marketplace. Specifically, the mechanisms offered by Augsburg Fairview Academy and

the Minnesota Internship Center to get credit while pursuing college coursework and work skills development suggest, intuitively enough, that many students in the target population are interested in pursuing credentials, post-secondary credits, and/or meaningful experiences while completing high school requirements. As such, it is recommended that the client school ensure and advertise the options it offers students to do the same within the project-based context.

One final consideration in making recommendations about the client school's approach to the market is the role of students' parents in making enrollment decisions. Here, conversations with Ofir Germanic and the documents regarding Avalon High School both suggest that parental priorities for students at similar schools include a high degree of personalization, opportunity for significant one-to-one relationship building between students and staff, and – especially at Avalon – the possibility of greater parent/guardian input in the direction of the child's school and education. To these ends, it will be important to emphasize the aspects of the school design that allow for significant individualization of learning (which is an inherent part of the client's interest and plan), the amount of one-on-one time students are able to spend with staff, and opportunities for parental involvement including on the school's board.

### *Summary*

Based on three indicator calculations, it can be estimated that the client school's target student population likely includes at least 3,000 students in the city of Minneapolis. Existing options for students in this population only serve approximately 1,800 students, presenting a clear opportunity for the client school to open without competing too intensely with peer schools, at least in the near future. Emphasizing the client school's project-based learning options, opportunities for gaining credentials/college credit, capacity for individualization, high level of student-staff contact, and options for family involvement are all strategies for recruiting students.

## Section 5: Fundraising and Financial Management

Many charter schools do not take full advantage of the opportunities offered by private fundraising (Stone, Zhao, and Cureton, 2012). Relying solely or to a very significant degree on per-pupil state funding results in many charter schools spending less per-pupil than district schools, which benefit from locally levied property taxes. Approaching charter school fundraising is best analogized to nonprofit fundraising with one major “donor” already secured. As such, the identification of additional funding sourcing, the creation of financial development and management plans, and the delegation of leadership and responsibility for fundraising management can all be first approached through the lens of nonprofit fundraising.

### *Process for identifying expected funding sources*

The client’s school is well-positioned to draw on two potential pools of donors, each of which can be more clearly defined and accessed and through some key relationships.

As the first charter school in the Twin Cities to be started by alumni of the Teach For America – Twin Cities region, the client’s school is in a unique position to pursue private fundraising from those who have also offered financial support to Teach For America (TFA). The advantages of pursuing TFA-connected funding stem from several factors, including: TFA’s staff and work devoted to supporting alumni, TFA’s incorporation of broader regional impact in its own fundraising work, and the informal network of potential funders comprised of past TFA funders, charter school funders with social ties to TFA funders, and charter school funders who have funded schools in the Twin Cities begun by TFA alumni from other regions (Teach For America, “School Leadership Initiative”).

TFA as an organization has dedicated appreciable staff and effort to supporting the work of its alumni. In addition to seeding other support groups (such as Leadership for Educational

Equity, an organization for TFA alumni in policy and politics), it has also created regional and national staff positions devoted specifically to alumni engagement and outreach (Teach For America, “Alumni Affairs Contacts”). At the time of this writing, the Twin Cities region of TFA employs two staff members whose primary roles are to support alumni. These provide convenient points of contact for the client, and the relationships these staff members have with TFA’s own development staff as well as with alumni from other regions (some of whom may be in a position to donate based on their post-TFA careers), offer great potential for fundraising.

Additionally, while helping the client’s school cultivate private donors would not directly fund TFA, it would bolster TFA’s own fundraising efforts. One of the primary arguments TFA makes to its own donors is that TFA alumni will go on to have a broader impact on education in the communities where TFA operates. This allows TFA to expand its potential base of donors to include not only those interested in the immediate service impact of TFA corps members, but also to donors interested in supporting broader regional impact. To the extent the success of the client’s school supports TFA’s own fundraising efforts, then, helping the client fundraise is in TFA’s own development-related interests as it offers a new proof point for their fundraising arguments.

In addition to direct support from TFA as an organization, its alumni engagement and development staff can also help the client identify and build relationships with donors who have not given directly to TFA, but who have donated to other charter schools. For example, TFA’s co-CEO Matt Kramer is based in the Twin Cities and is a former board member and chair for MinnCAN (whose executive director, Daniel Sellers, is the former executive director of the TFA-Twin Cities region), and many of MinnCAN’s board members are potential donors themselves (including Mike Ciresi of the Robins, Kaplan, Miller, & Ciresi law firm; Benson

Whitney of Argus Management; Addison Piper, former chairman and CEO of Piper Jaffray; and Alex Cirillo, Jr., a former 3M vice president) and connected to their own networks of potential donors interested in education generally and charter schools specifically, including the Blandin Foundation; the Robins, Kaplan, Miller & Ciresi Foundation for Children; the Aim Higher Foundation, and the Whitney Foundation (MinnCAN, 2014). Activating the connections of TFA supporters is thus another route to identifying and cultivating donors for the client's school.

Finally, while the client's school will be the first in the area begun by TFA alumni from the Twin Cities region, other charter schools have already been founded in the Twin Cities by TFA alumni from other regions. Again, the TFA staff dedicated to alumni outreach will be useful here. Because they have knowledge of and access to many of the TFA alumni in leadership positions at these charter schools, they can help the client connect to those alumni and their funders. While these connections may not be quite as strong – since the client's school would be competing to some degree with other alumni-led schools for funding (although not, for the most part, for students) – it nonetheless offers another potential route to identifying private sources of funding.

The second likely pool of donors consists of those with an interest in funding the development of alternative schools. Because alternative schools are more likely to feature student-centered, project-based instruction and significant democratic governance elements, there will likely be minimal overlap between donors interested in supporting alternative schools and donors connected to TFA, since TFA donors are more likely to affiliate with “no excuses” charter schools (e.g. Harvest Prep, KIPP, Hiawatha Leadership Academy, etc.) that place more emphasis on teacher-centered, highly ordered instruction and governance structures with clearly defined hierarchies.

For example, four of Teach For America's largest donors (listed in the \$100,000-\$249,999 range) are the Cargill Foundation, the General Mills Foundation, the Minneapolis Foundation, and the Robins, Kaplan, Miller & Ciresi Foundation for Children (Teach For America, "Supporters"). The Cargill Foundation has also supported Harvest Prep (including a February, 2014, announcement of a three-year, \$1.5 million grant), and describes the relationship between foundation president Scott Portnoy and Harvest Prep's executive director, Eric Mahmoud, in the following way: "Cargill and Portnoy have remained strong partners as Mahmoud has worked to build the operational infrastructure for the school's expansion," (Cargill, 2014). In 2012, the most recent year for which grant recipients are listed, the General Mills Foundation provided grants to KIPP, Minneapolis College Preparatory School, and to Best Academy, which is part of the Harvest Prep network (General Mills, 2014). The Minneapolis Foundation lists among its recent grant recipients Hiawatha Academies, KIPP, and Minneapolis College Preparatory School (The Minneapolis Foundation, 2014). The Robins, Kaplan, Miller & Ciresi Foundation gave grants to Hiawatha Academies and KIPP in 2013, Best Academy in 2012, Harvest Prep and Hiawatha in 2011, and KIPP in 2010 (Robins, Kaplan, Miller, & Ciresi, 2013). While these foundations donated to a mixture of grant recipients, nearly all of their charter school donations in Minnesota went to schools using a "no excuses" model.

As became clear in the investigation of potential authorizers and the market analysis, there are several other schools which may be competing for funds from this donor pool. A strong relationship with an effective, trusted authorizer connected to individuals with an interest in supporting alternative schools will therefore be critically important when pursuing potential donors in this group. Additionally, a strong set of relationships with other alternative schools may be useful. By treating the leaders and board members of other alternative schools as a

potential candidate pool for the client school's board, it should be possible to identify and recruit some early board members who are both affiliated with other alternative schools and have proven track records for securing nongovernmental funding for those schools.

In general, based on the potential donations from and relative competition for both donor pools, it is reasonable to expect that more nongovernmental funding will come from the TFA-affiliated donor pool than from the pool of alternative school supporters. In the interest of diversifying fundraising and maintaining operational integrity independent of the agenda of any one set of donors, though, it is strongly recommended that the client cultivate both donor pools and use early relationship building and board recruitment to achieve this end.

*Financial development plans (including likely prospects and uses for nongovernmental resources)*

Financial development for the client's school can be seen as consisting of three major phases: pre-operation, early operation, and sustained operation.

Pre-operation development will be important for securing and preparing facilities, installing the initial technological infrastructure needed (e.g. computers/tablets, Internet access, wireless internet networks, software needs, etc.), and paying staff who begin working prior to the arrival of state funds. These are the components that must be in place before the school is able to open, which means that the funds must be in place before per-pupil dollars from the state can serve as a source of revenue. As will be discussed in more detail in the section on leadership and responsibility for management of fundraising, primary responsibility for this will rest with the client and founding board members.

Early operation development funds, covering approximately the first one to three years of operation, will be used for sustaining technology, supporting curriculum and program

development above and beyond that which can be paid for with state funds, and addressing any additional unforeseen expenditures. As this will be less reliable and more difficult to predict than state revenue, core functions of the school should not depend heavily on nongovernmental resources. Since the client's attention as executive director will be primarily focused on the school's instructional and logistical needs during this time, most of the responsibility for this fundraising will need to rest with non-teacher board members.

Sustained operation funds will be required after the school is generally seen as successfully established. At that time, it would be reasonable to expect that some early donors will be less interested in sustaining their funding commitments. To some degree, this will be acceptable as many of the more expensive start-up costs will have been covered during the pre-operation and early operation time frames. However, to the extent that sustained external fundraising is beneficial in maintaining or expanding the school's technology, programmatic offerings, or non-essential staffing, it will need to be conducted. While some members of the board will likely continue to be helpful during this time frame, it may also be reasonable to devote part or all of a staff position to financial development, as discussed in more detail in the section on leadership and responsibility for fundraising management.

A fourth phase is possible should the school see fit to expand to a larger and/or additional site. If this happens, it will likely take place several years into the sustained operation period. At that time, it would be reasonable to treat the expansion-related financial development as a capital campaign. This would be greatly helped by having one or more board members and/or dedicated staff with experience in successful capital campaign management.

### *Leadership and responsibility for management of fundraising*

Early responsibility for fundraising will rest with the client as executive director of the school during its founding phases. To the extent TFA staff can be incorporated as supporters in this effort, they will also take on specifically delegated responsibilities.

As quickly as possible, however, the client should use the initial board building process as a route to financial development. While the long-term structure of the board will heavily feature the role of teachers, a subsection of its membership – again, especially in the early days – should be concerned with fundraising. For some board members, this may be a primary responsibility. For others, such as those with legal or financial management skills, fundraising may be a secondary, but still important, priority.

Eventually, it may become worthwhile to have a staff member whose job is either partially or wholly dedicated to fundraising, with an eye towards sustainability. This will be especially true if early board-related fundraising is seen by donors as largely falling in the “angel investor” category rather than in sustained funding. While an early influx of funds will be useful for meeting facilities and technology needs before the school begins operations, many donors may feel that a short-term commitment fulfills their giving priorities. In that case, and to the extent ongoing private fundraising is important for the school’s successful operation, it will be important to have a staff member with professional expertise in fundraising both through unsolicited grant proposal writing and in securing grant proposal solicitations from donors.

Even if a staff member takes responsibility for longer-term fundraising, it is highly likely that the board will continue to be an important route to funding. It is also reasonable to expect that the ultimate responsibility for managing fundraising will rest with the board, and that many

of the teacher members of the board will defer to the judgment of outside board members with more experience and connections to the fundraising realm.

### *Financial management plan*

As with fundraising, financial management is likely to be an area where the client school's first recourse will be to its board, since financial management skills at an organizational level are generally not emphasized for educators. This reinforces the importance of ensuring that at least one, and preferably more than one, of the early board members has direct personal experience with organizational financial management. It is also important that the board be able to identify an effective outside auditor when it's necessary or appropriate to have an external evaluation of the state of the school's finances and planning. It will also be important for the school to have some degree of financial administrative capacity, and again the board member(s) with appropriate expertise should be heavily involved in the process of shaping the necessary qualifications and experience required for such a position. Participation in the EdVisions cooperative or a related group may be an option for supporting immediate functions like payroll, but long-term financial management – including the development, monitoring, and revision of plans and projections for revenue and expenditures – should be a dedicated board function.

## *Summary*

The client school should strive to cultivate non-governmental sources of funding to offset its lack of property tax authority. While this is an opportunity missed by many charter schools, it does not need to be one for the client school. Major avenues for pursuing fundraising opportunities include utilizing the Teach For America alumni affairs system and building relationships with other leaders and board members in the community of alternative schools. Using these opportunities to build a pre-operational board, and leveraging that board's connections and expertise to foster further relationships with potential donors, should be early priorities for the client school. Development can then be understood as moving through at least three phases: pre-operation, early operation, and sustained operation. Fundraising should receive a dedicated committee of the school's board, as should financial management, with more details of the financial management plan to be resolved as the board is built and the rest of the school's structure begins to coalesce (i.e. outside the timeframe of this paper).

## Conclusion

The core business plan elements explored in this paper provide the client with some concrete recommendations and some broader principles on which to rely in the future. Regarding the concrete components, the paper includes a prioritized list of potential authorizers and an assessment of the current state of the Minneapolis market for alternative education. More broadly, it lays out the principles for: getting the most out of the board with respect to social capital (especially early in the school's development) and democratic practice; creating human resources practices with respect to teachers that are most likely to create and sustain an effective staff; and developing a fundraising and financial management model that allows the client school to increase its potential.

Throughout, attention has been paid both to the common pitfalls experienced by charter schools – such as ineffective boards, unhelpful professional development practices, and lackluster fundraising work – and to the practices and approaches that are most likely to increase the client school's success, including identifying a helpful authorizer and clarifying the ideal instructional staff. In some cases, it has not been possible to provide a comprehensive level of detail, whether as a result of the timing of this paper relative to the rest of the school's development or the necessary effects of democratic elements in the school's design. Nonetheless, effort has been made to note these concerns, and in many cases to offer research-based principles the client can apply and consult as the school continues to develop.

If nothing else, this paper has advanced the client's understanding of the needs of a business plan so that she will be in a position to ask deeper questions and make more informed decisions as she continues to build her school. That is an achievement in its own right, and should prove beneficial to the school and its students.

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