

Realizing Deeper Learning:

The Economics
and Achievements
of an Innovative
Chartered School
Model

Conducted by Dr. Charles Kyte and Associates
at the request of
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Table of Contents

1. Preface	2
2. Introduction	3
3. School Learning Programs	4
4. School Finances	16
5. Comparative School Finances	23
6. Conclusions	27
7. About the Methodology and Authors	29
(Online version only, available at www.educationevolving.org)	
Appendix 1: Areas for Future Study	30
Appendix 2: School Financial Data	33



Preface

Innovation gets far too little attention in policy discussions about the chartered school sector of public education.

Innovation was one of the principal goals of Minnesota's pioneering legislation in 1991 that created K-12 chartered schools. Now 41 states have established charter schools through similar legislation.

"Realizing Deeper Learning: The Economics and Achievements of an Innovative Chartered School Model" analyzes two chartered schools which have innovated in striking ways. Avalon School and Minnesota New Country School (MNCS) have personalized the students' learning and organized the school as a partnership for its teachers. This partnership model is similar to ones in professional fields.

As the report indicates, Avalon School and MNCS are quality schools which have high-performing students and teachers. We have used a broader-than-customary definition of quality and performance – as we should. How many areas of life are there in which we use a one-dimensional definition of 'quality' as we think about services, products or, for that matter, people?

The William and Flora Hewlett Foundation has a growing interest in broader dimensions of academic performance and in "deeper learning" – the dimensions of student accomplishment and student performance that go beyond the knowledge and skills that appear as scores on tests. The foundation's staff, consultants and friends have talked intensively with the people at EdVisions, the nonprofit in Henderson, Minnesota, which is basically the 'parent' for both MNCS and Avalon.

Curious also about the non-academic aspects of the EdVisions model, the foundation asked Education | Evolving last fall to arrange a study of EdVisions' economics. The foundation wanted to know, Does "deeper learning" come at a higher price? To answer the question, we turned to Charles Kyte, a career educator in Minnesota, a superintendent, and

executive director of the Minnesota Association of School Administrators for the past 10 years.

The Hewlett Foundation has kindly let Education | Evolving circulate this report in its present form to persons and organizations in Minnesota and beyond which are interested in the new approaches to learning and the new forms of school organization appearing in the chartered sector of public education. It is, of course, the consultant's report to the foundation, not the report of the foundation or of Education | Evolving.

Both MNCS and Avalon are better known outside Minnesota than here at home. In some years, about 400 people from Europe and Asia have visited Henderson (population 900) to talk with students and their "advisers" at MNCS. Furthermore EdVisions was one of a small number of American "learning organizations" invited in May 2012 to the inaugural symposium of the Global Cities Education Network in Hong Kong.

The "teacher partnership" model is now the subject of growing interest as a solution to the complex questions about teacher roles, responsibilities, quality and accountability. It is proving entirely feasible for teachers – like lawyers, doctors, architects, engineers, consultants, accountants and auditors – to develop partnerships and have administrators working for them. "School" does not need to take the boss/worker form it has traditionally taken.

Education | Evolving has been researching what teachers do differently, what they change, and where they carry the authority for the way their school runs. Findings from this research will appear in Kim Farris-Berg and Edward J. Dirkswager's *Trusting Teachers with School Success*, forthcoming in October 2012.

Ted Kolderie

 education|evolving

St. Paul, Minnesota



Introduction

Teachers, principals, and district administrators across the country strive to create classrooms and schools where students become responsible, independent and successful learners, where teachers feel ownership of their classrooms and schools, and where finances are sound despite fewer resources. The ideal learning environment can be hard to create, but some nontraditional schools have achieved excellent results.

As a teacher, principal and superintendent, I have a long track record of successfully operating traditional public school systems. I recently retired as executive director of the Minnesota Association of School Administrators. I was retained as a nonbiased, critical observer to study two schools which have created successful, nontraditional learning environments for students: the Minnesota New Country School, which is located in Henderson, Minnesota – a bucolic small farm community in south central Minnesota, and the Avalon Charter School located in the urban core of St. Paul, Minnesota.

This study describes these two schools, provides examples of student successes and challenges, explains the climate for learning within each school, analyzes each school's financial underpinnings, and makes financial comparisons to demographically similar traditional schools. The two schools are also contrasted to three rural district schools and one urban district school.

I have come away impressed with what I have observed and studied. MNCS and Avalon feel different from their traditional counterparts. The stories of their students' educational journeys are compelling, and the learning many have accomplished is astonishing. Following is their story.

Dr. Charles Kyte

Executive Director, until 2011
Minnesota Association of School Administrators
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School Learning Programs

Avalon Charter School

Much of the story of the Avalon Charter School can be found on its website, www.avalonschool.org. Following is a review of the school and the impressions of this researcher.

First Impressions

Driving up to Avalon for the first time is quite deceiving. It is located in an industrial area of St. Paul among warehouses and semitrucks. The gray cement building does not look like a school. There is no playground or bus unloading area. The school is located just two city blocks from University Avenue and what will soon be a light-rail system connecting Minneapolis and St. Paul.



Avalon Charter School

The building's interior exudes a feeling of openness. Two larger meeting areas are surrounded by mid-sized class and meeting rooms. The school is clean and cheerful.

The real – and positive – feel of the school lies in its staff and students. The students are orderly, engaged and comfortable. They seem more adult in their demeanor than one would expect in teenagers, yet they radiate energy. Staff members are comfortable with the students and with each other. They seem genuinely happy as teachers or advisors in this environment. Almost everyone has a sense of purpose. The students are self-directed and on task. The teachers are seen as friends, but clearly are respected and hold students



Students in the classroom

responsible for their learning. There is a real sense of community between students and staff, which builds trust and character in the students.

The differences between the first impressions of the outside and inside of the school are startling, but pleasing to observe.

History, Mission, Authorization and Oversight

Avalon was founded in 2001 and has been in continuous operation for 11 years. Several of the original teachers are still staff members, thus providing excellent continuity and growth of the program. The school serves students in grades 7-12 and has an enrollment of approximately 180-190 students who live throughout the metropolitan area. In 2011 the school moved to a new location, gaining more space and reducing the cost of its building lease.

The school is committed to creating a supportive community. Every student is in an advisory group and develops a personalized learning plan. These personalized learning plans are built around student-initiated independent projects, seminar classes, student presentations, and partnerships with parents and the community.

Avalon's mission is to "prepare students for college and life in a strong, nurturing community that inspires active learning, engaged citizenship, and hope for the future." The staff report that they truly embrace the mission of the school and that they go to great lengths to help students understand the mission and the learning process concept.

Avalon's mission is to prepare students for college and life in a strong, nurturing community that inspires active learning, engaged citizenship, and hope for the future.

The charter school was originally sponsored by Hamline University. In 2010 a change in the Minnesota Statute altered the name "sponsor" to "authorizer" and significantly increased the requirements of the authorizer to provide oversight. Thus in 2011 Novation Educational Opportunities (NEO) became the school's "authorizer." The school is academically accredited by AdvancEd, which is affiliated with the North Central Accreditation Commission.

Teacher Cooperative Organization

Avalon is operated as a teacher cooperative. Each staff member is an essential part of the decision-making process and is responsible for some part of the school's operation. The cooperative is legally informal but is well-developed and effective. The staff make policy and financial recommendations to a governing board that meets monthly (see bottom of page 5).

While Avalon's teacher cooperative model has been fine-tuned over the years, a remaining key principle is that all teaching staff share equal authority in decision-making situations, and the decision must be made by consensus. Although sometimes difficult, this process empowers the teachers to have ownership in all aspects of the school.

The full staff meets as a cooperative group for 1.25 hours each week, and the teachers meet for an additional hour each week. The meetings are scheduled early in the mornings and follow an agenda to help keep everyone on task as they strive to reach consensus before students arrive. The staff sees the cooperative meetings as an advisory group for themselves similar to the student advisory groups.



Faculty members Gretchen Sage-Martinson and Carrie Bakken advise a student about a project. Gretchen and Carrie have been on the faculty since Avalon opened.

Ideally each teacher has an advisory group in addition to teaching responsibilities, and every teacher assumes some administrative duties. However, the cooperative decided that two teachers would be relieved of advisory responsibilities so that they could take on program coordinator roles. Although the program coordinators dedicate more time to administrative tasks, they do not have more authority than other teachers in the cooperative. Thus today, with 15 teachers on staff, the combined administrative role equals one full-time position. The school also employs four educational assistants and an office manager.

The school contracts with a private provider to manage the ongoing financial operation of the school, including the receipts of revenues, payment of bills and payroll, and the required state and federal reporting. Because Avalon is an affiliated member of EdVisions Schools Inc., it can purchase Northwest Evaluation Assessment (NWEA) tests and other items at reduced rates. The school also contracts for the services of custodial staff, a psychologist, a nurse, a social worker, and low-incidence special education staff.

Governance

The formal governing board, which meets monthly, consists of four teachers, two parents, and one community member, who are appointed or elected to three-year terms. The board discusses and makes decisions about recommendations brought to it by the teacher cooperative. The board sets strategic goals, ratifies hiring decisions, maintains contracts and leases, and oversees the school's financial affairs, including an annual report and audit.

Demographics

Avalon had 174 students in the 2010-2011 school year and 190 students in the 2011-2012 school year.

Thirty-three percent of the students qualified for free or reduced lunch, which is a federal family poverty indicator; 29% of the students were from minority races; and about 26.4% of the students were eligible for special education services.

Learning Approach

Project-based learning

Avalon students work closely with their advisors to chart their own courses of study and develop relevant and rigorous individualized educational plans. The Avalon learning process teaches students how to undertake and manage three types of large-scale projects: independent projects, small group-guided projects, and senior projects.



Wall display of a student project

Younger students and those who are not yet skilled in project management often engage in the guided projects where they work semi-independently with a small group and have greater oversight from an advisor. As they become more familiar with the project learning approach, they start undertaking independent projects.

Avalon assists students with projects through a defined process. This process begins with a “brainstorming session” with two advisors, and then the student writes a “project proposal” using a form that Avalon calls a Project Foundry. The student then develops a “rubric” to show how the project will meet graduation standards and how the project will be evaluated. Once the project is approved, the student develops a work schedule and logs

the time he or she worked on the project. Once the project is completed, the student writes a “reflection” about the project, schedules a “finalization” meeting with the two advisors, and receives the appropriate credits. The senior project is a year-long undertaking that mirrors a minor master’s thesis at a college. The project has enough weight and importance that it carries the senior through what could otherwise be a less productive year. At the end of the senior project, the student presents and in a way defends his or her project.

Calendar and daily schedule

The annual calendar is similar to the traditional school calendar in terms of the number and length of school days. The school year is divided into four blocks.

Advisory groups, which consist of approximately 20 students and one teacher, meet from 9-9:20 a.m. daily. Then there are four hour-long seminar sessions scheduled each day. Students typically participate in two seminars daily. (Younger students attend slightly more seminars, while seniors attend slightly fewer seminars.) Seminars on a particular subject are taught two or three times a week rather than daily. However, there is a daily math seminar. Thus a student who attends two seminar periods a day may be exposed to four or five subjects weekly.

Examples of the seminar classes include geometry, physics, American studies, rights of passage, creative writing, geography of food production, constitutional law, world history, grassroots history, chemistry, biology, and economics.

Avalon has strived to not be an alternative learning center school. The student body is representative of an average cross-section of students.

During the time students are not in a seminar, they work on their projects. A student may have between one and three projects underway at any given time. A typical student works on his or her projects for about two and a half to three hours daily.

After a half-hour lunch, each student reads from 1-1:30 p.m. daily. Readings are on subjects that the students need to learn about to meet the required standards (see page 7) and could be a group reading project organized by

their advisory group or individually selected readings. Advisors help students select books and articles that are at appropriate reading levels.

The learning year also includes monthly presentation nights, at which students present completed projects; a service learning week; and three student-led parent-teacher-student conferences. At the conferences, students are expected to demonstrate the progress they are making toward meeting their goals, accumulating graduation credits, and completing the Minnesota state standards. The students are responsible for meeting state standards in all of the identified curriculum areas.

Examples of current student projects include “serial killers,” the history of Germany and the relations of Germany with other countries, an “edible earth” project, the formation of a musical band and a CD demo, psychology, a “food deprivation” project, creative writing, an “advisory bonding time” project, dangerous liaisons, the history of Christianity, and a student-built go-cart.



Students working in a computer lab

For one senior project, the student studied all aspects of human trafficking and taught a seminar class on the topic. Another student researched the history of Haiti and traveled to the country to study its current conditions and to understand the work of aid organizations in the country. Another student wrote 50,000 words in one month as a part of National Novel Writing Month and submitted several stories for publication.

Coursework and graduation requirements

Students must meet all 194 state standards (which equals about 45-50 standards per year of high school) to graduate. Students also must earn 40 credits, which are received for completing seminar classes and projects.



Students working on their projects

(One credit equals 100 hours of time spent on a project.) Students can participate in online courses and in Post-Secondary Enrollment Option (PSEO) courses available at several local colleges. They can also earn credits by participating in music and theater productions at area music schools and theaters.

Avalon’s graduation ceremony has a very personal flavor, and students share that the event is about more than just receiving a diploma. The graduating students’ advisors speak at length about each student’s accomplishments at Avalon. Annually the school’s graduation rate is either 100% or very close to 100%. Because some students come to Avalon behind in their school progress, they may require a fifth year to graduate. Thus in some years the four-year graduation rate as calculated by the state may be somewhat lower. In the 2011-2012 school year, 41 students are expected to graduate from Avalon.

Students

In a focus group with students, a sophomore described four categories of students who attend Avalon:

- 1) Students who work well with projects and prefer to do projects independently
- 2) Students who didn’t fit in well at their previous school and found the setting uncomfortable
- 3) Students who live close to Avalon
- 4) Students who have a past history of failure and have poor learning habits or abilities

Avalon has strived to not be an alternative learning center school. In fact, when it first opened, the school sent a letter to the St. Paul Public Schools emphasizing the fact that it did not want to be a school for students who were failing in traditional schools. The student body today is representative of a normal cross-section of students.

Most students thrive in the Avalon program. Other students are successful but need continued guidance. The staff reports that about 80% of the students become true “Avalonians” who thrive with the independent project-based learning approach. The staff excels at maintaining an appropriate level of pressure on the students to keep them productive and moving forward academically. Students report that those who remain at Avalon grow over time and take pride in their ability to learn independently.

Students also look forward to developing well-thought-out plans for post-secondary education. In a senior focus group, one student indicated plans to attend the University of Minnesota to study arts management; another student was planning to attend Knox College or Beloit College to study psychology, and another one was planning to attend the University of Minnesota Morris.

Like in any school setting, some students don’t succeed at Avalon. These students have moved from school to school and don’t take the initiative for their own learning. These students typically don’t remain at Avalon. About 10-15% of the student body falls into this category.

Teachers

Avalon currently has 19 licensed teachers, four assistants, and an office manager. There are three social studies teachers, three science teachers, two math teachers, three special education teachers, four language arts teachers, one Spanish teacher, one art teacher, one social worker, and one English as a second language (ESL) teacher. The staff members cover all teaching, administration, and support functions.

The average tenure of Avalon staff members is 5.5 years, and five staff members have worked at Avalon for eight or more years. Only one staff member did not return for the 2011-2012 school year.

Teachers are officially called “advisors.” Each teacher advises 20-22 students for the full time they attend Avalon. This results in close teacher-student relationships. Advisors also teach several seminar

classes in their areas of licensure and expertise each year. High school teachers teach one seminar per block and middle school teachers teach two seminars per block.

The compensation for the teaching staff is similar to the compensation of other urban educators. Teachers have a salary schedule based on length of service and level of training that ranges from \$30,000 to \$70,000. Teachers also receive a health insurance package. Salaries and benefits are determined by the teaching staff through the consensus process and approved by the governing board. The staff must balance all the expenditure needs of the school with the available annual revenues as they make these decisions.

One difference from other metro area traditional districts is that Avalon teachers do not receive any “legacy” benefits after leaving or retiring. Health insurance does not continue, and there are no separation payments. The teachers do participate in the state’s teacher retirement system, with both individual teachers and the school paying the appropriate amounts annually.



Avalon Charter School

The teacher cooperative has adopted a fairly conservative fiscal policy and has built up a financial reserve that would be the envy of most chartered schools. In the past few years when revenues to schools have been significantly delayed, Avalon has used reserve money to avoid borrowing money for cash flow purposes.

Physical Facility

As described earlier, the school building is not distinctive, but is functional (see page 4). However the school's approach to building maintenance, food service, and transportation are distinctive.

Students are responsible for cleaning up after lunch and at the end of the day. As a result, the students develop a sense of ownership of the building and go out of their way to care for it. There is no evidence of graffiti, and students typically clean up after themselves. Avalon hires a custodial service to do more extensive cleaning five days per week.

An outside contractor supplies a federally approved lunch program. One-third of Avalon students qualify for free or reduced price lunches. During the 30-minute lunch period, students and staff eat in one of the large gathering areas.

Avalon utilizes the Twin Cities' public transportation system. Each student receives a metro-wide bus/rail pass, and buses from across the metro area deliver students to stops that are close to the school. Some parents drive

students to school, and a few students drive their own cars. Students also utilize public transportation to travel to service learning projects, job-shadowing assignments, PSEO courses, and more.

Extracurricular Activities

Avalon faculty identified the school's activity programs as one of its weaknesses. While the school supports a number of academic activities such as a chess club, a robotics team, and academic decathlon, these clubs change annually based on student interest. Many students participate in theater productions, and the school hires outside professionals to guide this program and produce several plays annually. Additionally, several students are actors or interns at the Guthrie Theater.

There is little opportunity for students to participate in sports. In the past, the school has tried to purchase participation on the sports teams of traditional schools, but this proved to be prohibitively expensive. The school has limited opportunities for the students to participate in physical activities during the school day, but it has recently added a physical exercise seminar.

Minnesota New Country School

Much of the story of the Minnesota New Country School (MNCS) can be found on its website, www.newcountryschool.com. Following is a review of the school and the impressions of this researcher.

First Impressions

MNCS is located in the city of Henderson, which is about 60 miles southwest of Minneapolis on the Minnesota River. It is housed in a traditional school building and has a playground, a picnic shelter, and bleachers in the distance. The front of the school features an attached greenhouse that flourishes even in the cold Minnesota winter.

Part of a large blue steel "Harvestore" silo is located just inside the entrance to MNCS, representing the school's deep connection Minnesota's rural roots.



Minnesota New Country School

The interior of the school is largely open. Each student and teacher has a workstation with a desk, computer, and file cabinets. People are arranged in work groups separated by dividers and surrounding a common area. It is difficult to quickly separate the teachers from the students, as all are engaged and on task.

Both the staff and students are knowledgeable advocates for the school. The office manager and several teachers



The restored "Harvestore" silo

skillfully explain the school's operations, and students provide in-depth information about the projects they are working on, the positive qualities of the school, the areas that they contribute to the school's environment, and their reasons for attending MNCS.

Student projects are displayed through the school. A historical timeline, completed as a student project, surrounds a major section of the school, and quotes from graduates are displayed on the walls. Both the greenhouse and shop areas are busy with students working on projects.

History, Mission, Authorization and Oversight

MNCS, which is located on the main street in Henderson, has been in existence for 18 years and serves students in grades 6-12. The school was first housed in a leased facility. It became one of the first charter schools to create a nonprofit corporation which acquired land and built a school building. MNCS leases the building from Community Capitol, Inc., a nonprofit organization which uses the lease money to retire the debt for the building.

The school began as a project-based learning model that was run as a teacher cooperative. Although the school's organization has evolved over the past 18 years, the core concepts of project-based learning and site-based decision-making have not been compromised. Parents play a key role in the school by helping students design learning activities and attending presentations of student projects.

MNCS's mission is to "explore the world through project-based learning." As paraphrased from the MNCS website, MNCS sees each student as unique and helps each student cultivate learning through an individual learning plan and projects designed to involve critical thinking, problem solving, and research. Students are expected to master a variety of skills and knowledge. The staff has multiple obligations that foster a sense of commitment to the school and utilize substantial time for collective planning.

MNCS helps each student cultivate learning through projects designed to involve critical thinking, problem solving, and research.

The LeSueur-Henderson Public School District authorized MNCS from 1994-2011. Due to the new authorizer statute, Novation Education Opportunities (NEO) began authorizing the school in 2011.

Teacher Cooperative Organization



Nancy Pfarr, office manager, handles recordkeeping and day-to-day logistics.

MNCS is a 501(c)3 nonprofit organization and operates on a flat, site-based management system. There are seven management committees: fiscal management, technology, special circumstances, assessment, building/transportation, curriculum, and outreach. Each staff member serves on at least two management committees. The committees communicate with each other and the entire staff. The work of each committee is reviewed at the end of each year through an evaluation process. One staff member, who is a licensed secondary administrator, has oversight responsibility over all of the committees.

While each committee functions separately, a strong sense of consensus decision-making is built into the process. The shared management model helps each staff member understand the management functions of the school and their role as a partner in the school's successes and challenges.

MNCS contracts with EdVisions Cooperative for business services. EdVisions also operates EdVisions Off-Campus, an online school which is a separate entity from MNCS.

Governance

The MNCS school board holds monthly public meetings and an annual meeting in July. Nine board members, including five teachers, two parents, and two community members, are elected annually.

All board members are required to complete state-mandated Minnesota School Boards Association (MSBA) training. The board's finance committee provides fiscal oversight and signs checks paid by the school.

Demographics

MNCS had 108 students in the 2010-2011 school year and 113 students in the 2011-2012 school year. The students come from 18 school districts; however, most of the students come from the LeSueur-Henderson, St. Peter, and Sibley East districts. Twenty-three percent of the students have free/reduced lunch status, which is a federal family poverty indicator; 8% are minority students; and 32.7% are considered special education students.

Learning Approach

Project-based learning

Students at MNCS are organized in advisory groups of 14 to 18 students. Students guide their own courses of study and develop relevant, rigorous individualized educational plans. Teachers (who are formally called advisors) both guide the advisory groups and help students create courses of study that will cover all of the Minnesota academic standards by the time the students graduate.

While students can be identified by grade level, this distinction is minimized within the school. Upon enrolling at MNCS, each student is assigned to an



Students working on projects in their office areas

advisory group. After the first year, students can apply to be a part of a different advisory group. Before the beginning of the school year, the teachers rearrange advisory groups, respecting students' requests. Many students become comfortable with their advisor and remain in that advisory group throughout their time at MNCS. Thus advisory groups are multi-aged, and the younger students benefit from their connections with the older students.

Students are engaged in several types of projects throughout their time at MNCS, including individual projects; senior, junior and sophomore projects; group learning projects; and project trips. Students work on their projects for four to four and a half hours daily.

Each advisor is licensed for a specific curriculum area. As students develop their projects, they work not only with their direct advisors, but also with the advisor who is specifically skilled in the learning focus of their project. For example, students who are developing projects meet a science standard would interact with both their own advisors and the science advisor.

In the district schools studied, instruction is generally delivered to classes of approximately 30 students in discrete lessons, with the teacher delivering instruction.

Some examples of student projects include building an experimental bio-gas digester to transform excess food waste into methane; working on culinary projects that have led to an actual catering business; and working on an accounting project that includes shadowing a local accountant.

There are three designated times each day for key instructional activities in math, reading, and physical education. In each case the instruction level is guided by the student's comprehension level.

New students must quickly learn to take charge of their programs, daily routines, and courses of study. MNCS holds a multiple-day "boot camp" to help new students prepare for what is expected of them in this style of learning. Younger students and those who are not yet skilled in project management are guided to a greater degree than students who have adapted to this deeper learning approach.

Technology is an essential part of students' learning at MNCS. Each student has a computer station and is skilled at accessing information via the computer. Students learn math through the online, self-paced ALEKS Corporation math program.

Calendar and daily schedule

The annual school calendar is divided into seven blocks which are 19-25 days long. Each block ends with a presentation night when each student gives a presentation about his or her projects to fellow students, staff, and parents. The school year is 165 days long with seven presentation evenings.

Each block also has "experience" days, during which students devote an entire day to an enriching experience. Some experience days occur at the school, while others are held off-site.

MNCS's daily schedule is a combination of project time and time dedicated to specific curricular areas. A typical schedule follows:

- 8:30 a.m. Advisory period (may last from five minutes to one hour)
- 8:45 a.m. Project work time
- 10:30 a.m. Math
- 11:30 a.m. Lunch
- 12:00 p.m. Reading
- 12:50 p.m. Project work time
- 2:45 p.m. Physical education activities (optional)
- 3:15 p.m. School ends

Coursework and graduation requirements

Students do not attend specific courses in the traditional sense. Although time is set aside for math, reading, and

physical education, instruction in each subject area is self-paced. Learning in other curricular areas is accomplished through projects that are designed to cover the wide breadth of standards required by the State of Minnesota. Several students access online college-level courses through the Minnesota Post-Secondary Education Options (PSEO) program and a few attend courses on college campuses.

Students must meet all of Minnesota's 194 graduation standards. Students need to earn 40 credits to graduate. (One credit equals 100 hours of work on a project.)

MNCS has an extensive reporting system called "Project Foundry" which helps each student identify the standards he or she is meeting when working on a project, guides the evaluation of projects, and ensures that each project is academically rigorous. At the end of each project, students must present their work to peers, advisors and parents.



Students in the shop area building a super-mileage car

MNCS assesses students with a variety of testing instruments. Students take the state-mandated MCA tests each year. Additionally, MNCS uses the Northwest Evaluation Association (NWEA) tests to measure academic progress. Applying standardized test measurements to students engaged in project learning is challenging, but most students who have been with MNCS for several years demonstrate either mastery or partial mastery on the Minnesota Comprehensive Assessment (MCA) tests. However, students who are relatively new to MNCS and have had learning challenges in previous schools tend to struggle with the standardized tests.

A number of juniors and seniors students take the ACT test. MNCS students outperform both the Minnesota

and national averages on the ACT test. In 2011, MNCS students averaged a 25 on the ACT. The statewide average was 22.9, and the national average was 21.1. Students also take the Hope Survey, a testing instrument modified by Dr. Mark VanRysen of the University of Minnesota for project-based learners. This survey, administered annually for the last nine years, serves dual purposes: It assesses the autonomy of individual students as they shape their own education program and learn to be advocates for themselves and independent learners, and it assesses the success of each advisor and advisory group in meeting desired student outcomes.

Students



A student helping to keep the school clean

Although they are adolescents, MNCS students function in an adult study framework. The atmosphere in the school is casual, but business-like. Students typically work at their desks in work pods with their advisory group members. Because the advisory groups include students of all grades, age-related inappropriate behaviors are less prevalent than at more traditionally organized schools.

Although time is set aside for math, reading, and physical education, instruction in each subject area is self-paced.

Students take a great deal of pride in the school and in their own accomplishments. In a focus group, they said they liked MNCS's approach to learning, described various projects they had been working on, and complained (only a little bit) about the expectation to record and verify their 'time logs' on a daily basis.

There was pride of ownership. They talked about students who built an eco-fishpond, others who built

tables for the school, and others who designed, made and installed stained glass windows in the building. They indicated that students were constantly fundraising for student projects like these ones.

Students of all age levels indicated a confidence in their learning and conversed about the studies and projects in which they have been engaged. They see their advisors as partners in their journey.

The students put a great deal of thought into future schooling, training opportunities, and careers. They often were engaged in projects that would lead to real discovery of their interests and talents. Post-secondary education planning seemed like a well-thought-out journey rather than a haphazard affair. Pride, competence and satisfaction oozed from these students.

Teachers

Teachers who work at MNCS tend to stay. Several of the staff who were with the school at the beginning are still on the faculty. Tenure at the school ranges from three to 18 years; the average length of service is nine to 10 years. Salaries are modest, but comparable to salaries in rural Minnesota schools. They range from \$34,000 to \$48,000 for a full-time position. To keep programs in place for students, teachers have frozen their salaries for more than two years, and several advisors voluntarily reduced their workload to less than full-time.

MNCS staff participate in the Minnesota pension system, and the school provides a health insurance package for each employee. Teachers are actually paid by EdVisions Cooperative, which provides business services to MNCS.

Staff licensure covers a full range of curricular areas including social studies, English, science, math, agriculture, special education (multiple licensure areas), and school administration. Although Dee Thomas serves as the school's principal, each teacher has an administrative responsibility area, and decisions are made in a cooperative setting.

Nichole Kotasek is an example of a typical teacher/advisor at MNCS. She is a life science teacher who taught in a traditional district before joining the MNCS staff five years ago. Previously she taught biology at the middle and high school levels. The initial adjustment from a traditional school to a teacher cooperative/project-based learning school was difficult for Nichole.



Teachers meeting with a student to plan a project

Her advisory group consists of students ranging from grades 6-11, and she also assists students with science-related projects. She is responsible for making sure that students meet their science standards over the course of their schooling.

Nichole currently has eight students working on projects, and several of these students are preparing for a major science fair. Examples of student projects include doing a behavioral study of the generation gap; researching fracking and its relationship to earthquakes; building a methane digester; studying cell phone radiation; creating a dry hydrogen cell; and studying how food choices affect diabetics.

Nichole and the other advisors report that they have to learn by themselves how a school operates to figure out the school finances and operations.

Physical Facility

The current MNCS building was constructed in 1998 and was the first charter school in Minnesota to use a combination of city-based general revenue bonds and a debt repayment schedule. The debt will be paid over 20 years via the state lease aid granted to each Minnesota charter school. Community Capital Inc. (CCI), an intermediate nonprofit entity, was formed to borrow the funds to build the school and to utilize the state lease aid money to retire the debt for the school building. This mechanism essentially replaced the method used by traditional districts to build and pay for school buildings. The school is located on ample-sized grounds that have space for outside recreation areas. Consistent with the school's roots in rural communities, the agriculture program is enhanced with a school greenhouse and metal and wood shop areas. In addition to the aforementioned vocational areas, the building consists of a large open

space that is set up in office-like pods that surround a common area. The common area also includes a small stage for productions and presentations. The spacious building is decorated with student work to provide a very positive and comfortable feeling.

All of the building spaces are multi-use. As a result, the building is smaller than a traditional school building which typically includes gyms and separate lunch areas. The students are in charge of cleaning the building. Thus students are careful about the way they treat the building, and there is no evidence of harsh treatment or graffiti on the premises.



MNCS playground and picnic area

MNCS does not participate in the federal hot lunch program. Instead staff and students either access lunches provided daily from a local café or bring their own food.

Extracurricular Activities

MNCS students participate in a variety of academic activities and competitions, including Mock Trial, a science team, Knowledge Bowl, and a robotics league, which is held at a nearby traditional school.

It is difficult for students to participate on sport teams. Students can participate in band and football at the LeSueur-Henderson (LS-H) School. However LS-H does not allow students to join other teams, because doing so would force LS-H to compete in different classes. Additionally, LS-H activity advisors are often uncooperative because they view MNCS as a competitor for students.

Students can participate in physical activity at a set time each day. In the winter, a nearby recreational area provides cross-country skiing opportunities, and a group of MNCS students take a trip to the Boundary Waters Canoe Area in northeastern Minnesota each summer.

District Schools

Three comparable rural schools and one metropolitan area district were also studied. The rural schools were located in northern, central and southern Minnesota. The schools were the most demographically similar schools to Avalon and MNCS in Minnesota. They were comparable in student enrollment, poverty level, minority participation, special education population, and the number of buildings operated by the schools.

Because Avalon is located in St. Paul, one metro area school district was also studied. We selected a northern suburban school that had somewhat similar demographics except for size of the student enrollment. Although this district is considerably larger than Avalon, it is one of the smaller metro districts, operating a single high school and a single middle school.

Governance and Regulation

Traditional school districts are governed by a six- to seven-member school board and depend on state and local property taxes to fund operations. School boards hire a chief executive officer – or superintendent – to oversee the district’s operations.

Charter schools and traditional public schools differ significantly in the area of regulation. State governments, which heavily dictate policies, reporting, and other requirements, regulate traditional schools. The teachers and other employee groups are unionized and are protected by strict statutes on tenure, seniority, and job protections. Charter schools are largely free from this level of regulation and oversight.

Demographics

The comparable statistics follow:

	Enrollment	% Fr/Red Lunch	% Minority	% Sp Ed
Avalon School	173	33%	29%	26.4%
MNCS	108	23%	8%	32.7%
Rural School # 1	381*	29%	12%	8.3%
Rural School # 2	247*	27%	10%	15.9%
Rural School # 3	331*	39%	3%	10.4%
*Note: The comparison schools are K-12 schools. Avalon consists of grades 7-12 and MNCS consists of grades 6-12. The K-12 schools have similar secondary enrollments to those found at the charter schools.				
Metro School	4,854 (K-12)			
	2,224 (HS & MS)	28%	31.5%	13.4%



School Finances

This section of the report attempts to align a fiscal analysis of charter schools with the State of Minnesota's Uniform Financial Accounting and Reporting Standards (UFARS). The study analyzes the 2010-2011 fiscal year data and compares it to 2009-2010 data to identify changes in patterns and fund balances.

Revenue categories include:

- a) State regular aid
- b) State categorical aid
- c) State facility lease aid
- d) Federal aid
- e) Grants and private contributions
- f) Special education revenue from other districts
- g) Fees

Expenditure categories include:

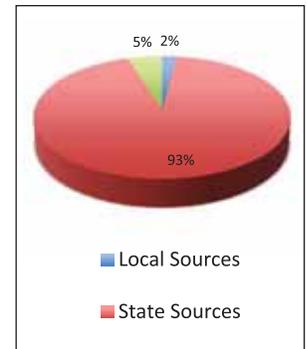
- a) Staff salaries, benefits, indirect payments, and post-retirement expenses (The study discriminates between licensed staff, non-licensed education support staff, and non-education staff.)
- b) Administration, in-house and contracted services, and communications expenses
- c) Facility operations, including utilities, supplies, staff, and contracted services
- d) Academic materials
- e) Staff support materials, equipment leases, and training
- f) Financial borrowing
- g) Student activities and supplies

While we considered the expenses associated with leasing a building, transportation, and food service, we concentrated on the schools' general operating funds. To the degree possible, the analysis of the charter schools will look similar to a later analysis of several comparative traditional schools.

Avalon Charter School

Revenues

During fiscal year 2010-2011, Avalon's general fund had total revenues of \$2,043,763. Most of the revenues (\$1,902,812) came from the State of Minnesota. State general education aid provided \$1,307,379, special education aid provided \$320,135, and state lease aid for charter schools provided \$275,298.



General education aid is based on a formula that is driven by student enrollment, concentration of the special needs population, and other factors. Charter schools also receive alternative compensation aid as part of their general education funding.

Special education aid is based on the costs of the programs and tuition adjustments made by the State of Minnesota. The state calculates the adjustment amount for each school district from information provided by the schools, including UFARS, Minnesota Automated Reporting Student System (MARSS), and Electronic Data Reporting System (EDRS). The initial aid amount is often lowered because the state hasn't allocated enough funding to special education programs. Charter schools receive tuition adjustment additions mostly from students' resident district. The estimated amount of the adjustment for the fiscal year for Avalon is about \$170,000, though the final calculation is not yet available.

The amount of lease aid equals either 90% of the cost of the actual lease or the allowance based on the school's pupil unit. The lesser amount is paid.

Avalon also received \$98,631 from federal sources, including \$39,653 from the Education Jobs Fund and \$15,100 from the ARRA Targeted Fund. Revenues from local sources, including donations and some student activity fees, were very limited. The revenues of Avalon's food service fund were \$14,227 for fiscal year 2010-2011.

Expenditures

During fiscal year 2010-2011, Avalon's general fund had total expenses of \$1,838,456. The regular instruction program (\$707,203) and the special education instruction program (\$350,668) accounted for most of the expenses. Instruction and the additional expenses of \$1,891 for instructional and pupil support services represent 58% of the total expenses.

Facilities, operations and maintenance costs totaled \$428,444, which included \$345,317 for the lease of the facility, \$76,737 for utilities, and other minor expenses.

Administration expenses can be divided into two categories: school-level and district-level administration. Avalon spent \$130,451 for school-level administration and \$176,142 for district-level administration. The school also spent \$43,657 for student transportation.

By UFARS object codes, Avalon spent \$904,458 (49.2%) of its total expenses on salaries. Benefits and payroll taxes were \$210,338 (11.44%) of the total expenses.

Avalon offers employees a choice of health plans and pays for employee coverage. Optional health insurance is available for dependents. The school provides \$50,000 in life insurance for all full-time employees and offers optional life insurance for dependents.

The school contributes 5.5% of licensed teachers' salary to the Teacher's Retirement Association (TRA) and 7% of non-licensed employees' salary to the Public Employee Retirement Association (PERA). Licensed teachers contribute 5.5% and non-licensed employees contribute 6.5% of their wages.

Avalon covers the premium for short-term and long-term disability insurance. In addition to the benefits mentioned, the school pays a workers compensation insurance premium, the employer portion of Social Security/Medicare taxes, and federal and state unemployment taxes.

The school's food service fund had total expenses of \$16,048. As this amount exceeded the revenues by \$1,821, the school transferred \$1,284 to the fund from its general fund to eliminate the cash deficit.

Expense Per Student

The expense of operating Avalon for the 2010-2011 school year, without including the building lease expense, was \$8,631 per ADM student. This figure will be further explained in the comparative section of the report (see page 23).

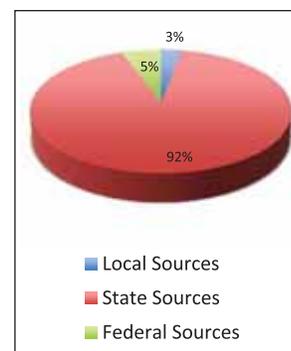
Fund Balance

The general fund is the primary operating fund of Avalon. At the close of fiscal year 2010-2011, the school's general fund reported an ending fund balance of \$603,720, which was an increase of \$204,023 over the prior year. This fund balance represented 32.8% of fund expenditures.

Minnesota New Country School

Revenues

During fiscal year 2010-2011, the Minnesota New Country School's general fund had total revenues of \$1,259,865. Most of the revenues (\$1,156,460) came from the State of Minnesota. The state general education aid provided \$822,218, the special education aid provided \$167,623, and state lease aid provided \$166,169.



General education aid is based on the formula that is driven by student enrollment, concentration of the special needs population, and other factors. Charter schools also receive alternative compensation aid as part of general education funding.

Special education aid is based on the cost of the programs and the tuition adjustments made by the State of Minnesota. The state calculates the adjustment amount for each school district from information provided by the schools, including UFARS, MARSS and EDRS. The initial aid amount is often lowered because the state hasn't allocated enough funding to special education

programs. Charter schools receive tuition adjustment additions mostly from students' resident districts. The estimated amount of the adjustment for the fiscal year for the Minnesota New Country School is about \$74,000, though the final calculation is not yet available.

The amount of lease aid equals either 90% of the cost of the actual lease or the allowance based on the school's pupil unit. The lesser amount is paid.

The Minnesota New Country School received \$68,569 from federal sources, including \$27,556 from the Education Jobs Fund and \$2,333 from the ARRA Targeted Fund. The school also received a \$21,574 Rural Education Achievement Program (REAP) direct grant. Revenues from local sources, including donations and some student activity fees, were very limited.

Expenditures

During fiscal year 2010-2011, the Minnesota New Country School's general fund had total expenses of \$1,147,897. Most of the expenses were for the regular instruction program (\$573,975) and the special education instruction program (\$207,668). Program expenses and additional expenses of \$15,711 for instructional and pupil support services represent 69% of the total expenses.

Facilities, operations and maintenance expenses totaled \$234,231, including \$204,367 for the building lease and other related expenses. The Minnesota New Country School spent \$50,418 for student transportation and \$65,834 for district-level administration.

By UFARS object codes, the Minnesota New Country School spent \$1,104,611 (96.23%) of its total expenses on purchased services. During fiscal year 2010-2011, the school paid \$680,723 for services from EdVisions Cooperative, which is contracted to supply employees to the Minnesota New Country School. These expenses cover salaries of licensed teachers and other staff, payroll-related taxes, TRA, PERA costs, and health, long term disability, and life insurances.

Technology expenses related to the federal REAP grant technology accounted for \$21,875 of the \$33,471 spent on capital expenditures.

Expense Per Student

The expense of operating the Minnesota New Country School for the 2010-2011 school year, without including the school's building lease expense, was \$9,072 per ADM student. This figure will be further explained in the comparative section following later in the report (see page 23).

Fund Balance

The general fund is the primary operating fund of the Minnesota New Country School. As of the close of fiscal year 2010-2011, the school's general fund reported a balance of \$550,453, an increase of \$111,968 from the previous year. This fund balance represents 31.4% of fund expenditures.

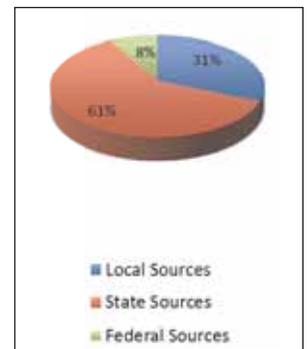
Community Capital, Inc.

The school leases its building from Community Capital, Inc. Although it is legally separate from the school, Community Capital is reported in the annual audit report as a blended component unit of the school because its sole purpose is to acquire, construct and own an educational site that is leased to the school.

Rural District School #1 (Central Minnesota)

Revenues

During fiscal year 2010-2011, Rural District #1's general fund had total revenues of \$3,832,135. A total of \$2,326,270 of the revenues came from the State of Minnesota, including \$2,236,548 from state general education aid, \$66,836 from special education aid, and \$22,886 from other state aid sources.



General education aid is based on the formula that is driven by student enrollment, concentration of the special needs population, and other factors.

The 2010 Legislature statutorily implemented a property tax recognition shift beginning in fiscal year 2010. As a result of the shift, the state delayed paying a portion of

the aid payments to school districts, and instead required the school districts to recognize the statutorily specified portion of the June property tax payment early. Local property tax revenues for 2010-2011 were \$953,869, which included a tax shift amount of \$269,872.

Rural District #1 received \$300,150 from federal sources, including the Education Jobs Fund, ARRA Targeted Fund, Title I program, Title II program, REAP, and special education flow-through funds.

Rural District #1 also received \$196,765 from a food service fund, \$121,632 from a community service fund, and \$150,853 from a debt service fund.

Expenditures

During fiscal year 2010-2011, Rural District #1's general fund had total expenses of \$3,735,354. Regular, vocational, and special education instruction accounted for \$2,390,965 (64%) of the school's total expenses.

Facilities, operations and maintenance expenses were \$479,804. School- and district-level administration expenses accounted for another major expense category. Rural District #1 spent \$146,008 for school-level administration, and \$315,822 for district-level administration. Student transportation costs were \$267,635.

By UFARS object codes, the district spent \$1,797,370 (48%) of its total expenses on salaries. Benefits and payroll taxes were \$699,082 (19%) of the total expenses. The school district contributed 5.5% of licensed teachers' salaries to TRA and 7.0% of non-licensed employees' salaries to PERA. Licensed teachers contributed 5.5% and non-licensed employees contributed 6.5% of their wages to their pension funds. The district offered health, dental, and long-term disability insurance; Tax Sheltered Annuities/Minnesota Deferred Compensation Plan; and a flexible benefit plan. The district also pays workers compensation insurance premiums, and the employer portion of Social Security and Medicare taxes.

The district's food service fund expenses were \$222,212, the community service fund expenses were \$153,872, and the debt service fund expenses were \$144,288.

Fund Balance

The general fund is the primary operating fund of the district. As of the close of fiscal year 2010-2011, the district's general fund reported an ending balance of \$1,177,581, an increase of \$71,781 from the prior year. The district made a one-time fund transfer of \$25,000 to the community service fund, which represents 31.5% of fund expenditures. Fund balances for food service, community service, and debt service funds were \$75,243, \$(-77,025), and \$12,102 respectively.

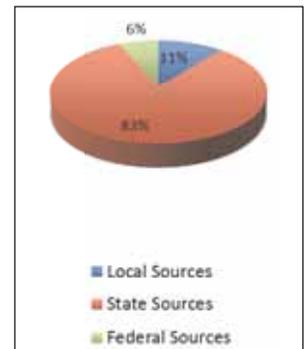
Expense Per Student

The expense of operating Rural District #1 for the 2010-11 school year was \$9,553 per ADM student. This figure will be further explained in the comparative section following later in the report (see page 23).

Rural District School #2 (Northern Minnesota)

Revenues

During fiscal year 2010-2011, the Rural District #2 general fund had total revenues of \$2,378,479. A total of \$1,966,379 of the revenue came from the State of Minnesota, including \$1,758,070 from state general education aid, \$201,003 from special education aid, and \$7,306 from other state aid sources.



General education aid is based on a formula that's driven by student enrollment, concentration of the special needs population, and other factors.

The 2010 Legislature statutorily implemented a property tax recognition shift beginning in fiscal year 2010. As a result of the shift, the state delayed paying a portion of the aid payments to school districts, and instead required the school districts to recognize the statutorily specified portion of the June property tax payment early. Local property tax revenues for 2010-2011 were \$158,157, which included a tax shift amount of \$49,641. Other local revenues included a local grant and some admission fees.

Rural District #2 received \$154,737 from federal sources, including \$50,545 from the Education Jobs Fund and \$30,966 from REAP grants. Other sources of federal funding include the Title I program, Title II program, and special education flow-through funds.

Rural District #2 also has food service, community service, and debt service funds, which had revenues of \$125,993, \$63,685, and \$337,991, respectively.

Expenditures

During fiscal year 2010-2011, the Rural District #2 general fund had total expenses of \$2,412,544. Regular, vocational, and special education instruction accounted for \$1,463,543 (61%) of the total expenses.

Facilities, operations and maintenance costs were \$309,504. School-level and district-level administration accounted for another major expense category. Rural District #2 spent \$112,452 for school-level administration and \$173,239 for district-level administration. Student transportation costs were \$246,976.

By UFARS object codes, the district spent \$1,386,478 (57%) of its total expenses on salaries. Benefits and payroll taxes were \$313,682 (13%) of the total expenses. The school district contributed 5.5% of licensed teachers' salaries to TRA and 7.0% of non-licensed employees' salaries to PERA. Licensed teachers contributed 5.5% and non-licensed employees contributed 6.5% of their wages to their pension funds.

The district offers health, life, and long-term disability insurance. The district also offers a matching contribution plan created in accordance with IRS code section 403(b) to eligible employees. The maximum annual district contribution is 1% of each employee's salary. For fiscal year 2010-2011, the district contributed \$7,207 to this program.

In addition to the benefits mentioned above, the district pays workers compensation insurance premiums and the employer portion of Social Security and Medicare taxes.

The district's food service fund expenses were \$129,180, the community service fund expenses were \$85,477, and the debt service fund expenses were \$349,930.

Fund Balance

The general fund is the primary operating fund of the district. As of the close of fiscal year 2010-2011, the district's general fund reported an ending balance of \$560,374, a decrease of \$34,065 from the previous year. This fund balance represents 23.2% of fund expenditures.

The fund balances for the food service, community service, and debt service funds were \$2,486, \$20,560, and \$45,341, respectively.

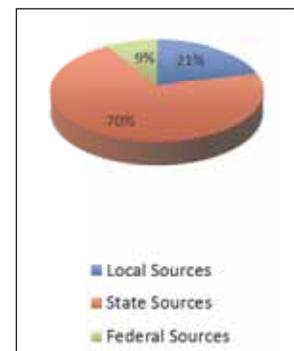
Expense Per Student

The expense of operating Rural District #2 for the 2010-11 school year was \$9,767 per ADM student. This figure will be further explained in the comparative section following later in the report (see page 23).

Rural District School #3 (Southern Minnesota)

Revenues

During fiscal year 2010-2011, the Rural District #3 general fund had total revenues of \$3,409,705. A total of \$2,404,646 of the revenues came from the State of Minnesota, including \$2,179,318 from state general education aid and \$209,414 from special education aid, and \$15,914 from other state aid sources.



General education aid is based on the formula that is driven by student enrollment, the number of special needs students, and other factors.

The 2010 Legislature statutorily implemented a property tax recognition shift beginning in fiscal year 2010. As a result of the shift, the state delayed paying a portion of the aid payments to school districts, and instead required the school districts to recognize the statutorily specified portion of the June property tax payment early. Local property tax revenues for 2010-11 were \$327,563, which included a tax shift amount of \$98,010. Other local revenues included interest on investments, proceeds from the sale of materials purchased for resale, and some admission fees.

Rural District #3 received \$291,450 from federal sources, including \$61,979 from the Education Jobs Fund and \$71,011 from the ARRA Targeted Fund. Other sources of federal funding included the Title I program, Title II program, REAP, and special education flow-through funds.

Rural District #3 also has food service, community service, and debt service funds, which had revenues of \$192,404, \$311,378, and \$239,036, respectively.

Expenditures

During fiscal year 2010-2011, the Rural District #3 general fund had total expenses of \$3,255,543. Regular, vocational, and special education instruction accounted for \$2,295,226 (70.5%) of the total expenses.

Facilities, operations and maintenance costs were \$346,162. School-level and district-level administration accounted for another major expense category. Rural District #3 spent \$111,418 for school-level administration and \$188,733 for district-level administration. Student transportation costs were \$266,745.

By UFARS object codes, the district spent \$1,951,966 (60%) of its total expenses on salaries. Benefits and payroll taxes were \$348,348 (11%) of the total expenses. The school district contributed 5.5% of licensed teachers' salaries to TRA and 7.0% of non-licensed employees' salaries to PERA. Licensed teachers contributed 5.5% and non-licensed employees contributed 6.5% of their wages to their pension funds.

The district has established a health reimbursement arrangement plan (HRA), which is available to certified employees and district administrators as of the date they are hired. In addition to the benefits mentioned, the district pays workers compensation insurance premiums and the employer portion of Social Security/Medicare taxes.

The district's food service fund expenses were \$218,043, the community service fund expenses were \$334,896, and the debt service fund expenses were \$242,990.

Fund Balance

The general fund is the primary operating fund of the district. As of the close of fiscal year 2010-2011, the district's general fund reported a balance of \$3,762,279, an increase of \$154,162 from the previous year. This fund balance represents 115.6% of fund expenditures.

The fund balance for the food service, community service, and debt service funds were \$40,312, \$53,879, and \$55,839, respectively.

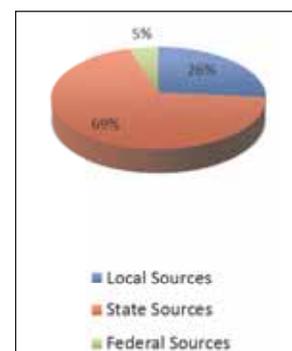
Expense Per Student

The expense of operating Rural District #3 for the 2010-11 school year was \$9,835 per ADM student. This figure will be further explained in the comparative section following later in the report (see page 23).

Metropolitan Area District School

Revenues

During fiscal year 2010-2011, the Metro District general fund had total revenues of \$47,409,208. A total of \$32,562,861 came from the State of Minnesota, including \$27,662,362 from state general education aid, \$3,442,676 from special education aid, and \$1,457,823 from other state aid sources.



General education aid is based on a formula that is driven by student enrollment, the number of special needs students, and other factors. The 2010 Legislature statutorily implemented a property tax recognition shift beginning in fiscal year 2010. As a result of the shift, the state delayed paying a portion of the aid payments to school districts, and instead, required the school districts to recognize the statutorily specified portion of the June property tax payment early instead of receiving the state aid payments. Local property taxes revenue for 2010-2011 was \$11,404,720, which included the tax shift amount of \$3,341,740.

The Metro District received \$2,287,931 from federal sources, including ARRA Targeted Funds, Title I, Title II, Title III, and other state flow-through funds.

The Metro District also has food service, community service, building construction, and debt service funds. Revenues for each fund were \$2,071,018, \$2,417,373, \$1,530,778, and \$8,280,379 respectively.

Expenditures

During the fiscal year 2010-2011, the Metro District general fund had total expenses of \$44,808,083. Regular, vocational and special education instruction accounted for \$28,927,822 (65%) of the total expenses.

Facilities, operations and maintenance costs were \$5,035,291. School-level and district-level administration were another major expense category. The Metro District spent \$1,717,964 for school-level administration and \$2,028,172 for district-level administration. Student transportation costs were \$2,639,563.

By UFARS object codes, the district spent \$26,813,592 (60%) of its total expenses on salaries. Benefits and payroll taxes were \$7,459,862 (17%) of the total expenses. The school district contributed 5.5% of licensed teachers' salary to TRA and 7.0% of non-licensed employees' salary to PERA. Licensed teachers contributed 5.5% and non-licensed employees contributed 6.5% of their wages to their pension fund.

The district offers health, dental, and long-term disability insurance. The district also offers a tax sheltered annuities/Minnesota deferred compensation plan and a flexible benefit plan. In addition to the benefits mentioned, the district pays workers' compensation insurance premiums, and the employer portion of social security/Medicare taxes.

The district's food service fund expenses were \$1,943,680, community service fund expenses were \$2,417,744, building construction fund expenses were \$55,701, and the debt service fund expenses were \$7,975,636.

Fund Balance

The general fund is the primary operating fund of the district. As of the close of the fiscal year 2010-2011, the district's general fund reported an ending fund balance of \$5,153,013, an increase of \$2,601,125 from the previous year. This fund balance represents 11.5% of fund expenditures.

The balances for the food service, community service, building construction, and debt service funds were \$568,305, \$11,739, \$2,098,330, and \$9,919,176 respectively.

Expense Per Student

The expense of operating the Metro District for the 2010-2011 school year was \$9,231 per ADM student. This figure will be further explained in the comparative section of the report (see next page).



Comparative School Finances

This section of the report compares the finances of the two charter schools described above to the four demographically similar traditional district schools in an attempt to understand differences in revenues and spending.

Revenues Drive Spending

Before beginning a comparison, it's important to acknowledge a few basic facts about the nature of public school finance. Public entities such as schools essentially spend all the money they can get their hands on. This is not meant to indicate poor financial management, but is rather a fact of life. While it is possible that a public entity either underspends or overspends on an annual basis, the programs offered, the salaries paid, etc. become dependent on the revenues available. (In this respect schools in the charter sector differ from districts. Districts have access to excess levy revenues from local taxpayers.) If a school has lower revenues, it must adjust its expenditures to match the revenues or will soon go out of business. Likewise, with more revenues than expenses, the number of programs (or fund balances) may increase. The goal is to find the balance of programs to funding and not make money.

Adjustment Factors

There are a number of differences between the operation of charter schools and traditional schools that must be factored in when making a financial comparison. In this analysis we have concentrated on differences in expenditures. We have identified six necessary factors of adjustment. We have adjusted financially for four of those factors in this report and did not adjust for two of the factors for reasons described below.

There are six relevant factors of adjustment that need to be considered when comparing charter and traditional schools:

- A) Adjusting the expenditures to only reflect secondary students
- B) Adjusting for Q-Comp merit pay program expenditures
- C) Adjusting for extracurricular activity expenditures
- D) Adjusting for fund balance changes
- E) Comparing the "lease" versus "ownership" of facilities
- F) Comparing special education expenditures

Numerous other minor differences in the operation of charter schools and traditional public schools do not constitute enough of a variance to significantly skew the data.

Adjusting the Expenditures to Only Reflect Secondary Students

The two charter schools studied have students only in the upper grades (one has students in grades 7-12 and the other has students in grades 6-12). Each of the traditional schools enroll students in grades K-12. In Minnesota, school funding differs by grade level, because it is assumed that educating students of different grade levels is financially different.

The weightings are as follows:

Kindergarten (1/2 day):	0.612 full-time equivalent (FTE)
Grades 1-3:	1.115 FTE
Grades 4-6:	1.06 FTE
Grades 7-12:	1.3 FTE

In this study we converted the expenditure per student of the traditional schools to reflect the assumed cost per secondary student.

Adjusting for Q-Comp Merit Pay Program Expenditures

A school or district which participates in Q-Comp, the Minnesota teacher merit pay program, receives and expends an additional \$260 per student annually. The two charter schools and the metropolitan district participate in this program while the rural schools do not participate. We made an adjustment for this factor.

Adjusting for Extracurricular Activity Expenditures

The charter schools expend very minimal amounts on extracurricular programs, as these programs largely are not available to their students. On the other hand, the traditional school districts expend a significant amount on extracurricular programs and transportation. An adjustment has been made in this area as well.

Adjusting for Fund Balance Changes

Five of the six schools/districts in this study built their organizational reserves during the 2010-11 fiscal year in anticipation of difficult times. To factor in the differences in the changes in fund balances, the researchers calculated the amount per student that was held in reserve and made an adjustment when comparing the schools.

The amounts per student that were contributed to each school's reserve in 2010-11 were:

Avalon School	\$1,172
Minnesota New Country School	\$991
Rural District #1	\$281
Rural District #2	\$(-137)
Rural District #3	\$457
Metro Area District	\$611

Comparing the "Lease" Versus "Ownership" of Facilities

The way in which charter schools access funds to lease a building is significantly different from the way a traditional district obtains money to build a school facility. Charter schools receive lease aid from the state to lease a facility. With citizen approval, traditional districts issue bonds payable with local tax levies over many years to build school facilities. The typical school district is almost always in the process of levying taxes

and making bond payments. Both types of schools ultimately depend on the citizens of the state to provide money for school buildings.

For the purposes of this study, we attempted to remove the cost of obtaining the actual school facility from our comparison. In the case of the traditional districts, the expenditure to retire the debt for the acquisition of buildings is not shown, as it is in a separate account outside of the general operating fund of the district.

For the charter schools, since the lease aid and the lease expenditure are included in the general operating fund, we subtracted the lease cost at the end of the charter schools financial statements so that it would not skew any comparisons. Thus the final calculation for expenditure per student to operate the charter schools does not include the lease aid.

The actual lease payments made in 2010-11 for the schools were:

Avalon School	\$345,317
Minnesota New Country School	\$204,367

We acknowledge that this is a simplistic treatment of a complex issue, but we believe that excluding the cost of the leases allows for a relatively fair comparison. The issue of comparative facility cost could be the subject of further study. Some of the issues regarding making such a set of comparisons are identified in Appendix I (see page 31).

Comparing Special Education Expenditures

There are fairly significant differences in the percentage of students identified as special education students. Avalon School and MNSC identify 26.4% and 32.7% of their students as special education students. The traditional districts identify 8.3%, 15.9%, 10.4% and 13.4% of their students as special education students.

Most of the special education students in the charter schools are in the "mild to moderate" disability spectrum and do not require large additional expenditures for their education. Special education students in the "severe" disability spectrum, who are very expensive to educate, tend to be enrolled in traditional districts instead of charter schools.

Although the charter schools spend more on a larger percentage of students in the “mild to moderate” disability spectrum, the expenditure is roughly equal to the amount that traditional schools spend on a smaller, but more highly disabled, spectrum of students. For this reason, no adjustment has been made between the schools for special education expenditures.

Application of These Adjustment Factors

Adjusting the Expenditures to Only Reflect Secondary Students

The following adjustments were made to the expenditure per secondary student using the appropriate student weightings specified by the State of Minnesota:

School/District	Original cost per student	Adjusted cost per secondary student
Avalon School	\$8,631	\$8,631
Minnesota New Country	\$9,072	\$9,224
Rural #1 District	\$9,553	\$10,796
Rural #2 District	\$9,767	\$10,942
Rural #3 District	\$9,835	\$11,044
Metro Area District	\$9,231	\$10,472

Adjusting for Q-Comp Merit Pay Program Expenditures

The two charter schools and the Metro Area District make expenditures for the Q-Comp merit pay program. To simulate those expenditures in the three rural districts, we added \$260 per student to each of their expenditures.

Adjusting for Extracurricular Activity Expenditures

Each traditional school spent more money on extracurricular programs than the charter schools. We subtracted the extracurricular expenditures for each school. The expense per student due to extracurricular activities is:

Rural District #1	\$1,108
Rural District #2	\$757
Rural District #3	\$1,199
Metro Area District	\$412

Adjusting for Fund Balance Changes

If school expenditures are less than revenues annually, it could be argued that the money unspent was actually an “expenditure” to increase the fund balance. If this is done, the adjustments in expenditures are as follows:

Avalon School	\$1,172
Minnesota New Country School	\$991
Rural District #1	\$281
Rural District #2	\$(-137)
Rural District #3	\$457
Metro Area District	\$611

Final Table of Comparisons

In the table below, the expense per student is shown both including and excluding the adjustment for the fund balance changes.

Issue	Avalon	MNCS	Rural 1	Rural 2	Rural 3	Metro
Exp/Every Student	\$8,631	\$9,072	\$9,553	\$9,767	\$9,835	\$9,231
Exp/SEC Student	\$8,631	\$9,224	\$10,796	\$10,942	\$11,044	\$10,472
Q-Comp	\$ 0	\$0	\$260	\$260	\$260	\$0
Extra-Curr	\$0	\$0	\$(-1,108)	\$(-757)	\$(-1,199)	\$(-412)
FB Adj	\$1,172	\$991	\$281	\$(-137)	\$457	\$611
Adj Exp/ Student Excluding FB Adj	\$8,631	\$9,224	\$9,942	\$10,445	\$10,105	\$10,060
Adj Exp/ Student Including FB adj	\$9,803	\$10,215	\$10,223	\$10,308	\$10,562	\$10,671

The three rural districts spend an average of \$10,164 per secondary student without including the fund balance adjustment. In comparison, Avalon School spends \$8,631 per secondary student and MNCS spends \$9,224 per secondary student.

Avalon's expenditure (excluding the fund balance adjustment) is 84.9% of the average expenditure of the three rural secondary schools and 85.8% of the expenditure of the comparison metro area secondary school.

MNCS's expenditure (excluding the fund balance adjustment) is 90.8% of the average expenditure of the other three rural secondary schools and 91.6% of the comparison metro area secondary school.

If the fund balance calculation is included, Avalon's expenditure is 95% of the average expenditure of the three rural secondary schools and 94.6% of the expenditure of the comparison metro area secondary school. Likewise, MNCS's expenditure is 98.5% of the average expenditure of the rural secondary schools when including the fund balance calculation.



Conclusions

Students

Both Avalon School and the Minnesota New Country School may be among the best charter schools in the country. Both are project-based schools in which students are in charge of their own learning. On the other hand, teachers are in charge of the learning of the students at traditional public schools. In both cases, there are examples of students who excel and students who struggle. However, encouraging students to accept responsibility for managing their own learning and their own futures is one of the best attributes of these particular charter schools and is a process that should be replicated in all schools.

However, encouraging students to accept responsibility for managing their own learning and their own futures is one of the best attributes of these particular charter schools.

An advantage of the traditional schools is their ability to provide extracurricular activities for students. These activities, ranging from large-group music performances to competitive athletics, provide students with valuable teamwork skills. However, this experience does come with a cost, and the smaller traditional districts expended about \$1,000 per student to provide these activities.

Teachers

The teachers in these two charter schools are heavily invested in the schools' success. Each teacher contributes time and energy to the operation of the school through the teacher cooperative. The consensus cooperative process can be difficult, and teachers expressed that it may not work well if the teaching staff exceeds 20 people. However in the small settings examined, the process is empowering. Teachers report a great deal of satisfaction and feel a sense of ownership in the success of the school.

The teachers are seen as advisors to small groups of students. While the advisors are responsible for guiding the students, they also position themselves as partners with the students. As a result, the negative adult-teenager relationships that are often seen in traditional school settings do not develop in charter schools.

Governance

The charter schools observed have well-developed governance models. Although the schools are guided by consensus decision-making, they have well-defined responsibilities and elected governing boards. The schools' instructional programs, financial affairs, and facilities appear to be well-managed, and there is an absence of strife and conflict in both schools.

Finances

The charter schools operate frugally – both schools have fewer expenses than the comparison schools per student. MNCS operates at 90.8% of the average cost of the three comparison rural districts, and Avalon and MNCS operate at 84.9% and 91.6%, respectively, of the cost of the comparison metro area district.

At the same time, both schools were able to increase their reserves significantly. Through each school's cooperative management, the teachers make decisions that favor programming for students by curtailing their own compensation and benefits when necessary.

Cautions

Comparing Education Programs

For the purposes of this study, we did not visit any of the traditional schools. We obtained the schools' financial records. While the researcher has significant experience in operating traditional schools and favorably observed the instructional programs of both charter schools, these observations should not be construed as favorable or unfavorable observations of the traditional schools' programs. The programs simply were not observed.

Financial Comparison

The financial comparisons are fairly accurate. However they are not perfect and are affected by the quality of the data inputted by each of the schools into the state UFARS system. Each school district makes its own decisions about where to code financial data.

Furthermore, the financial comparison concentrates on the macro differences between the charter schools and the comparison traditional districts. There are many smaller differences, financially and operationally, which this study did not attempt to identify or compare.

Comparing Instructional and Administrative Expenses in the Financial Statements

Each school's financial statements are included in Appendix 2 (see page 34). It may be tempting to compare the percentages of funds that are expended for instruction and administration, but the two charter schools coded their administrative costs differently.

Avalon identified the time each day that each teacher devoted to administrative and governance duties and coded this as an administrative expense, thus showing their administrative costs to be 16.68%. This researcher suspects that Avalon is slightly overestimating the administrative time commitment.

On the other hand, MNCS did not identify any teacher time as an administrative expense. In meeting and observing the teachers in action, it was apparent that teachers did spend time doing administrative work. Also, the lead teacher serves as the principal/superintendent and dedicates significant time to that administrative role. Thus while MNCS only identifies 5.74% of its expenditures as administration, the actual percentage is higher.

The differences in administrative expenditures recorded in the financial statements affect the percentage of expenditures identified for instruction. MNCS identifies 69.46% of expenditures for instruction while Avalon only identifies 57.64% of expenditures for instruction.

In reality, both schools are expending about the same amount on both instruction and administration. For the traditional districts, the ranges of expenditures identified for instruction were 64-75% and administration were 8-12%.



About the Methodology and Authors

Methodology

The stories of Avalon and MNCS were developed through multiple qualitative visits to each school site and in-depth interviews with students, teachers, and support staff. Information was also garnered from the schools' websites and from an analysis of the demographic and financial data accessible from the Minnesota Department of Education (MDE).

Dr. Charles Kyte was the primary researcher. He was assisted by Ms. Yosh Soltis, an experienced school district accountant, and Ms. Janna Duffy, a former financial manager at the MDE. They analyzed each school's financial data, identified demographically similar traditional school districts, and provided a comparative financial analysis of the two charter schools and the comparison districts.

Research Team

Dr. Charles Kyte, Team Leader

Dr. Charles Kyte has more than 43 years of experience in public education at both the school district and state levels. He served as the executive director of the Minnesota Association of School Administrators until retiring in September 2011. Kyte actively participates in the statewide dialogue on educational policy issues, and works with a variety of groups to promote public education.

Kyte draws on more than 20 years of experience as a district superintendent in the Eden Valley-Watkins and Northfield school districts. Prior to serving as a superintendent, he was a high school principal for seven years and a physics, chemistry and math teacher; coach; and class advisor for six years.

Kyte received his Ph.D. in educational administration from the University of Minnesota in 1987. He holds a specialist's degree from Mankato State University, a master's degree from St. Cloud State University, and a bachelor's degree from the University of Minnesota Duluth.

Yoshiko Soltis, Financial Consultant

Yoshiko Soltis served for nearly 20 years as the district accountant for the Northfield Public Schools. Prior to that, she was a school accountant in Spring Valley, Minnesota. Soltis analyzed hundreds of pages of financial data from the charter schools and traditional school districts to produce the financial comparisons in this report.

Janna Duffy, Data Consultant

Janna Duffy is a financial manager for Northern Bridges, a social service agency in central Wisconsin. She served as a financial management advisor for the MDE from 2007-2010. Prior to that, she served as a regional accounting coordinator for ARCC in northeastern Minnesota. Janna researched comparable data from the MDE and provided final edits to the report.



Appendix 1: Areas for Future Study

Adopting the Project-Based, Teacher Cooperative Model in Small Rural Communities

The two charter schools studied began as independent schools with a new faculty and a new idea for the way students could be educated. The schools evolved through their early developmental years and have emerged today as strong educational programs.

The question of whether or not this model could be adopted by a rural school which is academically or financially failing begs for further study. Could such a model be adopted with the existing staff and structures in place? This question must be resolved if the idea of adopting a project-based, teacher cooperative model has any chance of succeeding in other situations.

A cadre of reform-minded rural Minnesota school superintendents and principals may be ready to realistically analyze and adopt the charter schools' model. They would need to work with leaders of the two charter schools studied in this report to examine the project-based, teacher cooperative model in depth and analyze the strengths of such an educational program and the hurdles that a rural community would face in making such a conversion.

In addition to examining the educational shift, the group would need to consider the challenge of shifting existing staff to a project-based model. Furthermore, they would need to consider the steps necessary for the community to transfer the governance of the education system to a group of education practitioners. Formal governance, taxation powers, retirement of existing debt, and the willingness of the state bureaucracy to allow this shift in educational ownership would also need to be considered.

Organizations within the existing power structure, such as the Minnesota School Board Association, the state teachers union, and the Minnesota State High School League, would also need to be included in discussions.

It may even be necessary to pass “enabling” legislation for such an experiment to occur.

The positive aspect of such an undertaking is that there are education professionals in Minnesota who are ready to shift their thinking to save schools that are in danger of closing.

Assessing the Cost and Model of Extracurricular Programs as a Part of a Rural Project-Based, Teacher Cooperative Model School

School-sponsored youth sporting events and musical performances create a strong sense of pride in rural communities and are often a source of community entertainment. It is critical that new schooling models allow for a range of student athletic and musical opportunities. A study of this aspect of education would require a cost analysis of the staff and facility required to provide these activities.

Comparison of the Cost of School Buildings for Charter and Traditional Schools

A comparison of the financial underpinnings of charter schools and traditional public schools should consider the expenses involved in providing a school facility. This is an important, complex undertaking, as there are a significant number of variables and circumstances that come into play.

The researchers for this study did not have the information needed to answer this question with fidelity and reliability. Thus they have provided the following thoughts which may help a future researcher provide such an analysis.

Charter school facilities are typically, but not always, leased. In Minnesota, the state provides money to pay for the lease of a facility based on the number of students at

the school. However one of the charter schools in this study owns its building and is paying for it over time.

Traditional public schools are typically, but not always, owned by a school district. The district borrows money by issuing bonds and uses the bond proceeds to build a facility. The bonds are paid back with money raised from property taxes levied over the geographical area of the school district. At least one of the comparison school districts leases some educational space and pays for the lease annually with money raised from local property taxes.

It is instructive to consider the specifics of the building leases and the purchase of the two studied charter schools to better see the nuances that are involved in providing a school facility.

Avalon School

Avalon leased a 24,851-square-foot building through the 2010-2011 school year. The 5,000-square-foot basement was used sparingly. The lease identified different costs per square foot for the ground-level versus the basement-level spaces. Avalon paid a total of \$423,307 for this lease. Part of the cost of the lease included some operational costs, so the actual lease amount was \$345,317. The state provided lease aid for 90% of this expense. The building was privately owned, and the owner was obligated to pay property taxes.

In the 2011-2012 school year, Avalon moved to a new building, which had a significantly lower lease cost.

Minnesota New Country School

MNCS opened in a leased facility. In 1998 Community Capital, Inc., an intermediate nonprofit entity, was formed to borrow money to build a school and to utilize the state lease aid money to retire the debt for the school building. This mechanism essentially replaced the method used by traditional districts to build and pay for school buildings.

In 1998 the City of Henderson made a tax increment financed (TIF) loan of \$330,000 to MNCS, payable over 16 years, to secure the land for the future school building. In 2002 MNCS secured a \$1.2 million nonprofit bond to build a 17,000-square-foot school building. This 15-year bond will be retired in 2017. In 2005 MNCS borrowed

an additional \$350,000 from a bank to construct a 3,000-square-foot addition on the school building. This loan will be retired in 2015.

MNCS's building has now been designated by LeSueur County as a non-taxable property. However the TIF loan must still be paid to the City of Henderson, so MNCS is paying partial property taxes through 2014.

Comparison Districts

We do not have the specifics on the facilities in the four comparison school districts. We know their current sizes, but we do not know if they were built as a single facility, if additions were built, or if significant remodeling was completed. In addition we don't know the specifics of their debt, the interest rates that bonds were originally sold for, or the schedules of debt retirement.

Further the state has made an effort in the past to equalize the cost of building facilities between property-poor and property-rich districts. Thus in property-poor districts some revenue for the construction of school buildings is supported with state aid, and the actual bonded indebtedness can be a bit less. This equalization aid has changed periodically over the years.

The square footage and average age of the facilities in the comparable school districts are provided below. Note that these are K-12 buildings, whereas the charter school buildings are only used for secondary schooling.

School	Size	Average age of building(s)
Rural District #1	80,626 square feet	37.5 years
Rural District #2	71,001 square feet	25.9 years
Rural District #3	93,810 square feet	35.7 years
Metro Area District	782,009 square feet	38 years

The traditional school property is non-taxable. Traditional districts also use other revenue sources to pay for the general upkeep and major maintenance projects. Besides the typical bond offerings approved by local citizens, traditional school districts can make capital improvement levies if the average age of their school buildings is more than a certain number of years. They also can access smaller annual levies for addressing health and safety issues. In the past years, significant health and safety levies were made to remove asbestos and other dangerous substances from aging buildings.

Furthermore, traditional school buildings, especially secondary facilities, maintain large athletic fields, swimming pools, arenas, and nature areas. These spaces are typically paid for by the same voter-approved bonds that are used to build the school buildings. To determine the actual cost of the school buildings as compared to these ancillary facilities, one would need to examine the actual construction costs associated with each project.

An Alternate Approach

There is an alternative way to approach the cost of facilities that is significantly simpler. One could simply look at the cost of leasing versus purchasing an existing office building in a community. Rather than comparing schools, one is simply comparing facilities. This simpler analysis is commonly done by developers and property managers. A building of approximately 20,000-30,000 square feet with some accompanying green space and parking would be a possible choice. It would be important to consider the difference between taxable and non-taxable property.

Concluding Thoughts

In any analysis, one must consider both explicit and imputed costs. These costs are borne by the state in the case of the charter schools and by the state and local property taxpayers in the case of traditional schools. Thus the analysis of comparing charter school facilities to traditional school facilities is challenging.

If a traditional district is ever to consider converting to a charter school in whole or in part; or if a traditional district should ever consider establishing a teacher cooperative, project-based approach school within an existing school, the realities of using the existing space would drive the cost basis for the lease of the space to the new entity.

Researchers could study the Nerstrand Elementary School in the Faribault School District, which was converted to a charter school by the existing faculty. Nerstrand leased its building from the Faribault School District. Similar examples also exist in the Minneapolis school system.

Adopting the Project-Based, Teacher Cooperative Model From a Secondary School Structure to a K-12 Structure

The two charter schools which were studied in this report were secondary schools that provided education to students in grades 6-12. To develop similar schools in rural areas, the model would need to be adapted to include pre-schoolers through 12th graders.

A study of this model, especially as it pertains to elementary-level instruction, should be undertaken. It will be critical to study the degree to which a project-based approach, with the student having significant responsibility for his or her own education path, is adaptable to younger students. Would a pure project-based approach work, or would a hybrid model be a better fit for younger students and their parents who would be partners in the education process?



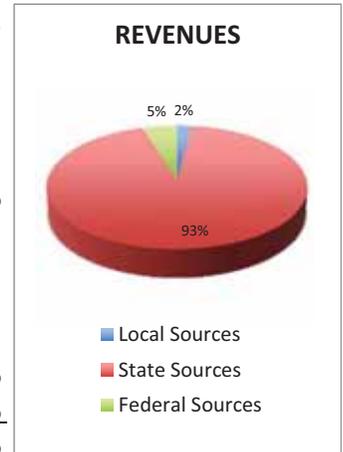
Appendix 2: School Financial Data

This second appendix consists of the financial statements for each of the schools studied.

1. Avalon Charter School
2. Minnesota New Country School
3. Rural District #1
4. Rural District #2
5. Rural District #3
6. Metro Area District

**AVALON CHARTER SCHOOL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TWO-YEAR PERIOD ENDING JUNE 30, 2011**

	Actual 2009-2010	% of Total 2009-2010	Actual 2010-2011	% of Total 2010-2011
REVENUES				
Local sources				
Property taxes				
All other	61,880		42,320	
Total	61,880	3.25%	42,320	2.07%
State sources				
General education aid	1,146,119		1,307,379	
Special education aid	254,824		320,135	
All other state aid	279,895		275,298	
Total	1,680,838	88.27%	1,902,812	93.10%
Federal sources	161,492	8.48%	98,631	4.83%
TOTAL REVENUES	1,904,210	97%	2,043,763	100%



EXPENDITURES

School-level education services

Regular instruction

Salaries	561,041		537,792	
Benefits and payroll taxes	127,414		118,349	
Purchased services	69,388		30,341	
Supplies and materials	23,004		17,517	
Other	6,653		3,204	
Total	787,500	41.73%	707,203	38.47%

Special education instruction

Salaries	159,895		209,881	
Benefits and payroll taxes	42,042		51,027	
Purchased services	100,764		87,478	
Supplies and materials	8,172		2,282	
Total	310,873	16.47%	350,668	19.07%

Instructional and pupil support services

Purchased services	3,249		1,891	
Total	3,249	0.17%	1,891	0.10%

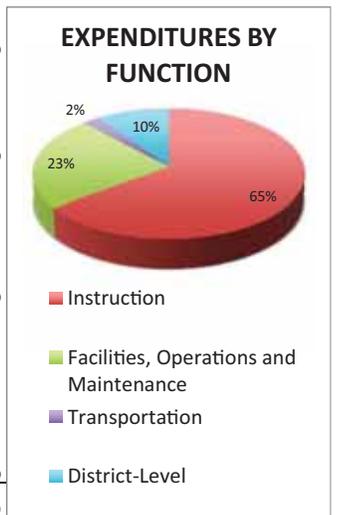
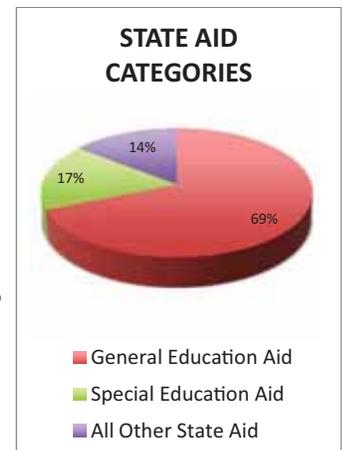
School-level administration

Salaries	103,577		108,408	
Benefits and payroll taxes	33,119		22,043	
Total	136,696	7.24%	130,451	7.10%

Facilities, operations and maintenance

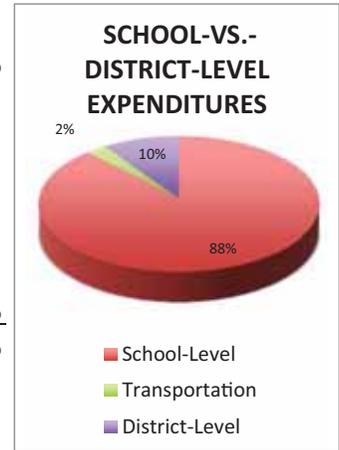
Purchased services	412,840		423,307	
Supplies and materials	4,806		5,137	
Other	109			
Total	417,755	22.14%	428,444	23.30%

Subtotal, school-level education services	1,656,073	87.75%	1,618,657	88.04%
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**AVALON CHARTER SCHOOL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TWO-YEAR PERIOD ENDING JUNE 30, 2011**

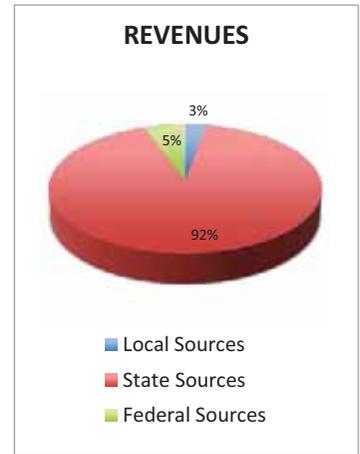
	Actual 2009-2010	% of Total 2009-2010	Actual 2010-2011	% of Total 2010-2011
Student transportation				
Purchased services	<u>46,489</u>		<u>43,657</u>	
Total	46,489	2.46%	43,657	2.37%
District-level administration and support services				
Salaries	45,452		48,377	
Benefits and payroll taxes	20,301		18,918	
Purchased services	95,038		83,020	
Supplies and materials	14,704		11,825	
Other	<u>9,101</u>		<u>14,002</u>	
Total	184,596	9.78%	176,142	9.58%
TOTAL EXPENDITURES	1,887,158	100%	1,838,456	100%
Revenues over (under) expenditures				
Other financing sources (uses)				
Other adjustments				
Net transfers in (out)	<u>(5,973)</u>		<u>(1,284)</u>	
Net changes in funds	11,079		204,023	
Fund balance				
Beginning of year	388,618		399,697	
End of year	399,697		603,720	



Key Statistics (2010-2011)	
Number of students (ADM - average daily membership)	173
Per-student revenues	
All revenues	11,814
Lease aid	<u>(1,591)</u>
Total	10,222
Per-student expenditures	
Instruction and support services	6,126
School-level administration	754
Facilities, operations and maintenance	2,477
Student transportation	252
District-level administration	<u>1,018</u>
Total	10,627
Operating lease	<u>(1,996)</u>
Total general fund	8,631

**MINNESOTA NEW COUNTRY SCHOOL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TWO-YEAR PERIOD ENDING JUNE 30,2011**

<u>REVENUES</u>	Actual 2009-2010	% of Total 2009-2010	Actual 2010-2011	% of Total 2010-2011
Local sources				
Property taxes				
All other	89,273		34,836	
Total	89,273	6.71%	34,836	2.77%
State sources				
General education aid	715,936		822,218	
Special education aid	168,015		166,619	
All other state aid	220,034		167,623	
Total	1,103,985	83.03%	1,156,460	91.79%
Federal sources	136,441	10.26%	68,569	5.44%
TOTAL REVENUES	1,329,699	100%	1,259,865	100%



EXPENDITURES

School-level education services

Regular instruction

Salaries				
Benefits and payroll taxes				
Purchased services	600,592		511,455	
Supplies and materials	19,877		33,700	
Other	21,885		28,820	
Total	642,354	50.03%	573,975	50.00%

Special education instruction

Salaries				
Benefits and payroll taxes				
Purchased services	233,443		204,238	
Supplies and materials	1,000		1,082	
Other	20,111		2,348	
Total	254,554	19.83%	207,668	18.09%

Instructional and pupil support services

Purchased services	12,344		15,771	
Total	12,344	0.96%	15,771	1.37%

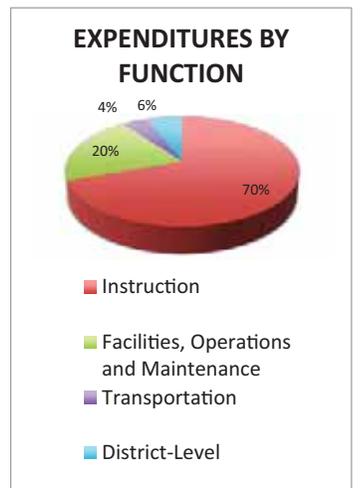
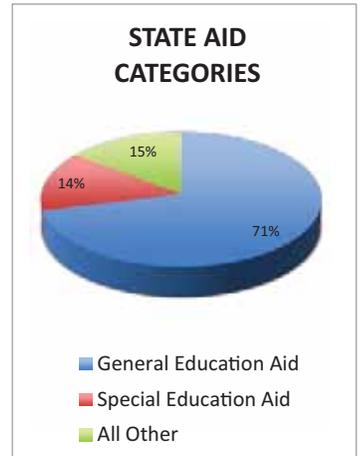
School-level administration

Salaries				
Benefits and payroll taxes				
Total	0		0	0.00%

Facilities, operations and maintenance

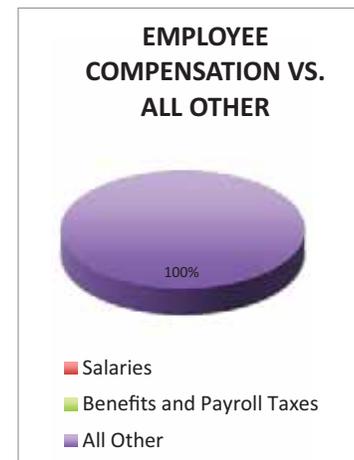
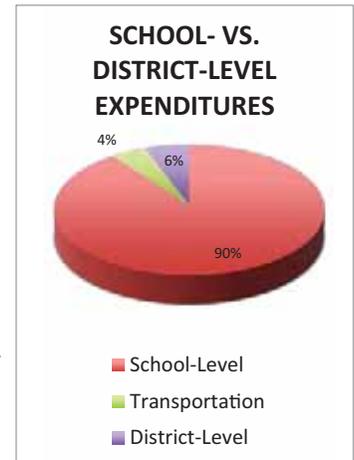
Purchased services	243,162		231,982	
Other	11,955		2,249	
Total	255,117	19.87%	234,231	20.41%

Subtotal, school-level education services	1,164,369	90.69%	1,031,645	89.87%
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**MINNESOTA NEW COUNTRY SCHOOL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TWO-YEAR PERIOD ENDING JUNE 30,2011**

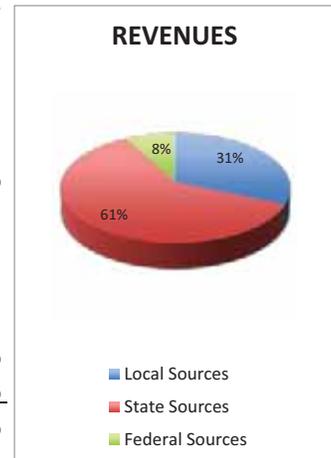
	Actual	% of Total	Actual	% of Total
	2009-2010	2009-2010	2010-2011	2010-2011
Student transportation				
Purchased services	51,104		50,418	
Total	51,104	3.98%	50,418	4.39%
District-level administration and support services				
Salaries				
Benefits and payroll taxes				
Purchased services	57,207		56,025	
Supplies and materials				
Other	11,197		9,809	
Total	68,404	5.33%	65,834	5.74%
Total Expenditures	1,283,877	100%	1,147,897	100%
Revenues over (under) expenditures	45,822		111,968	
Other financing sources (uses)	9,751			
Other adjustments				
Net transfers in (out)				
Net changes in funds	55,573		111,968	
Fund balance				
Beginning of year	382,912		438,485	
End of year	438,485		550,453	



Key statistics (2010-2011)	
Number of students (ADM - average daily membership)	104
Per-student revenues	
All revenues	12,114
Lease aid	(1,612)
Total	10,502
Per-student expenditures	
Instruction and support services	7,667
School-level administration	0
Facilities, operations and maintenance	2,252
Student transportation	485
District-level administration	633
Total	11,037
Operating lease	(1,965)
Total general fund	9,072

**RURAL DISTRICT #1
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TWO-YEAR PERIOD ENDING JUNE 30, 2011**

	Actual 2009-2010	% of Total 2009-2010	Actual 2010-2011	% of Total 2010-2011
REVENUES				
Local sources				
Property taxes	654,880		953,869	
All other	267,281		251,846	
Total	922,161	24.10%	1,205,715	31.46%
State sources				
General education aid	2,360,262		2,236,548	
Special education aid	113,644		66,836	
All other state aid	36,882		22,886	
Total	2,510,788	65.61%	2,326,270	60.70%
Federal sources	393,855	10.29%	300,150	7.83%
TOTAL REVENUES	3,826,804	100%	3,832,135	100%



EXPENDITURES

School-level education services

Regular instruction

Salaries	1,347,779		1,300,900	
Benefits and payroll taxes	400,977		419,063	
All other	326,328		396,025	
Total	2,075,084	56.61%	2,115,988	56.65%

Special education instruction

Salaries	120,961		121,975	
Benefits and payroll taxes	51,883		54,987	
All other	105,241		98,014	
Total	278,085	7.59%	274,976	7.36%

Instructional and pupil support services

Salaries	53,780		64,900	
Benefits and payroll taxes	17,632		23,373	
All Other	58,888		46,849	
Total	130,300	3.55%	135,122	3.62%

School-level administration

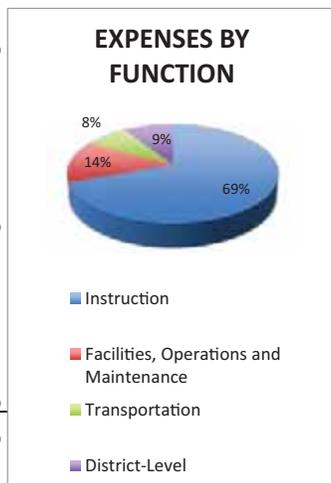
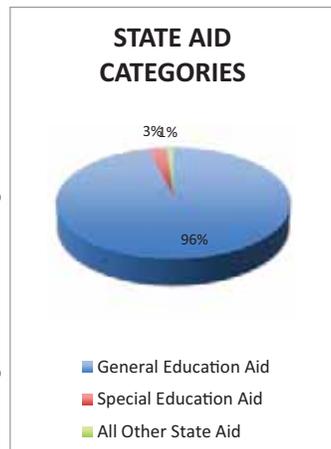
Salaries	103,554		104,519	
Benefits and payroll taxes	38,532		39,748	
All others	3,745		1,741	
Total	145,831	3.98%	146,008	3.91%

Facilities, operations and maintenance

Salaries	94,781		96,316	
Benefits and payroll taxes	40,944		43,202	
All others	341,809		340,285	
Total	477,534	13.03%	479,803	12.84%

Subtotal school-level education services

Total	3,106,834	84.76%	3,151,897	84.38%
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**RURAL DISTRICT #1
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TWO-YEAR PERIOD ENDING JUNE 30, 2011**

Student transportation

Salaries				
Benefits and payroll taxes				
All others	<u>236,030</u>		<u>267,635</u>	
Total	236,030	6.44%	267,635	7.16%

District-level administration

Salaries	116,961		108,760	
Benefits and payroll taxes	127,572		118,708	
All other	<u>77,993</u>		<u>88,354</u>	
Total	322,526	8.80%	315,822	8.45%

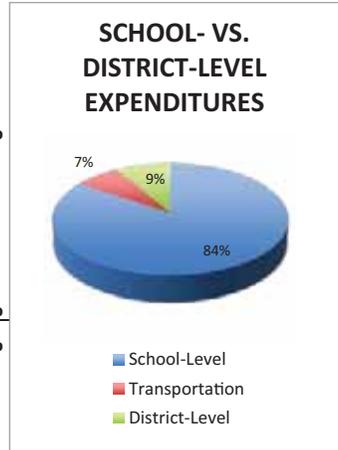
TOTAL EXPENDITURES **3,665,390** **100%** **3,735,354** **100%**

Revenues over (under) expenditures

	161,414		96,781	
Other financing sources (uses)				
Other adjustments				
Net transfers in (out)			<u>(25,000)</u>	

Net changes in funds **161,414** **71,781**

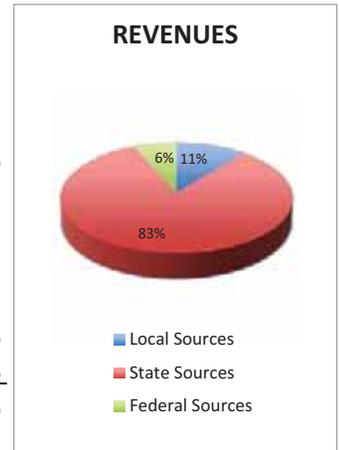
Fund balance				
Beginning of year	<u>944,386</u>		<u>1,105,800</u>	
End of year	1,105,800		1,177,581	



Key Statistics (2010-2011)	
Number of students (ADM - average daily membership)	391
Per-student revenues	9,801
Per-student expenses	
Instruction and support services	6,461
School-level administration	373
Facilities, operations and maintenance	1,227
Student transportation	684
District-level administration	<u>808</u>
Total general fund	9,553

**RURAL DISTRICT #2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TWO-YEAR PERIOD ENDING JUNE 30, 2011**

	Actual 2009-2010	% of Total 2009-2010	Actual 2010-2011	% of Total 2010-2011
REVENUES				
Local sources				
Property taxes	176,324		158,157	
All other	111,029		99,206	
Total	287,353	12.01%	257,363	10.82%
State sources				
General education aid	1,652,069		1,758,070	
Special education aid	173,321		201,003	
All other state aid	3,247		7,306	
Total	1,828,637	76.44%	1,966,379	82.67%
Federal sources	276,381	11.55%	154,737	6.51%
TOTAL REVENUES	2,392,371	100%	2,378,479	100%



EXPENDITURES

School-level education services

Regular instruction

Salaries	744,823		782,726	
Benefits and payroll taxes	170,651		202,990	
All other	146,640		137,376	
Total	1,062,114	45.23%	1,123,092	46.55%

Special education instruction

Salaries	232,130		239,957	
Benefits and payroll taxes	43,238		23,986	
All other	52,102		76,508	
Total	327,470	13.95%	340,451	14.11%

Instructional and pupil support services

Salaries	82,376		77,227	
Benefits and payroll taxes	16,072		14,957	
All other	19,195		14,646	
Total	117,643	5.01%	106,830	4.43%

School-level administration

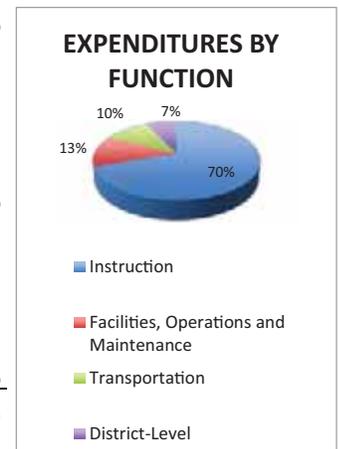
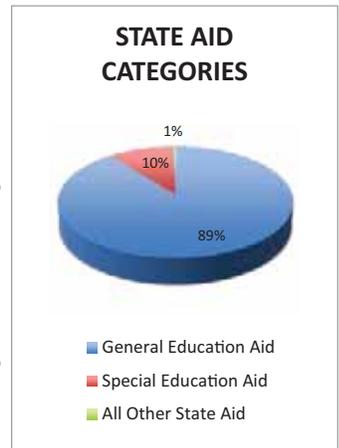
Salaries	56,285		91,786	
Benefits and payroll taxes	10,912		19,289	
All others	2,012		1,377	
Total	69,209	2.95%	112,452	4.66%

Facilities, operations and maintenance

Salaries	35,667		36,271	
Benefits and payroll taxes	10,280		11,657	
All others	249,035		261,576	
Total	294,982	12.56%	309,504	12.83%

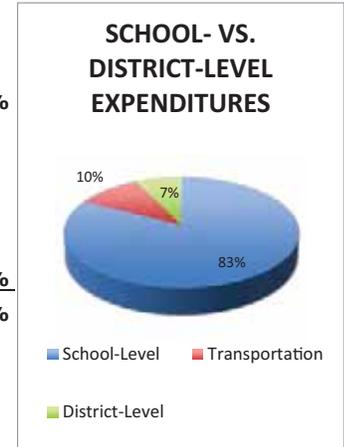
Subtotal, school-level education services

Total	1,871,418	79.69%	1,992,329	82.58%
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**RURAL DISTRICT #2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TWO-YEAR PERIOD ENDING JUNE 30, 2011**

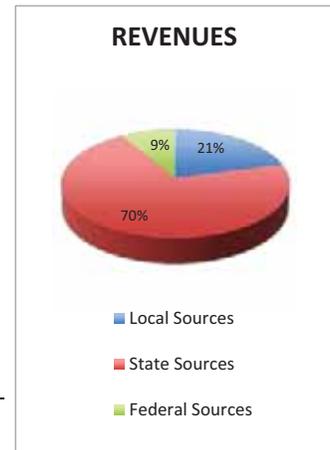
Student transportation				
Salaries	107,166		72,291	
Benefits and payroll taxes	24,890		14,915	
All others	<u>92,233</u>		<u>159,770</u>	
Total	224,289	9.55%	246,976	10.24%
District-level administration				
Salaries	146,744		86,220	
Benefits and payroll taxes	39,887		25,889	
All other	<u>65,916</u>		<u>61,130</u>	
Total	252,547	10.75%	173,239	7.18%
TOTAL EXPENDITURES	2,348,254	100%	2,412,544	100%
Revenues over (under) Expenditures	44,117		(34,065)	
Other financing sources (uses)				
Other adjustments				
Net transfers in (out)				
Net changes in funds	44,117		(34,065)	
Fund balance				
Beginning of year	<u>550,322</u>		<u>594,439</u>	
End of year	594,439		560,374	



Key Statistics (2010-2011)	
Number of students (ADM - average daily membership)	247
Per-student revenues	9,629
Per-student expenditures	
Instruction and support services	6,358
School-level administration	455
Facilities, operations and maintenance	1,253
Student transportation	1,000
District-level administration	<u>701</u>
Total general fund	9,767

**RURAL DISTRICT #3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TWO-YEAR PERIOD ENDING JUNE 30, 2011**

	Actual 2009-2010	% of Total 2009-2010	Actual 2010-2011	% of Total 2010-2011
REVENUES				
Local sources				
Property taxes	233,828		327,563	
All other	294,464		386,046	
Total	528,292	16.20%	713,609	20.93%
State sources				
General education aid	2,135,066		2,179,318	
Special education aid	237,069		209,414	
All other state aid	18,413		15,914	
Total	2,390,548	73.30%	2,404,646	70.52%
Federal sources	342,346	10.50%	291,450	8.55%
TOTAL REVENUES	3,261,186	100%	3,409,705	100%



EXPENDITURES

School-level education services

Regular instruction

Salaries	1,309,881		1,299,682	
Benefits and payroll taxes	234,113		227,852	
All other	261,667		395,374	
Total	1,805,661	52.02%	1,922,908	59.07%

Special education instruction

Salaries	206,530		202,326	
Benefits and payroll taxes	39,818		38,488	
All other	101,290		131,504	
Total	347,638	10.01%	372,318	11.44%

Instructional and pupil support services

Salaries	11,380		37,508	
Benefits and payroll taxes	1,604		3,384	
All other	8,656		6,367	
Total	21,640	0.62%	47,259	1.45%

School-level administration

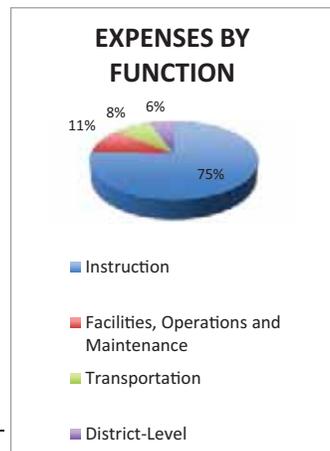
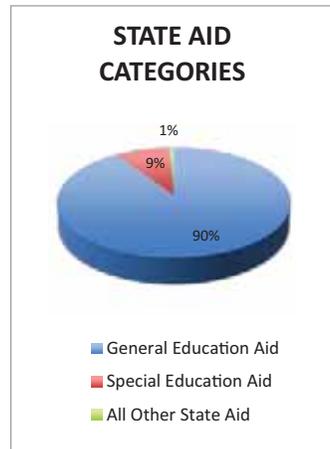
Salaries	81,422		92,022	
Benefits and payroll taxes	15,423		16,967	
All others	2,679		2,429	
Total	99,524	2.87%	111,418	3.42%

Facilities, operations and maintenance

Salaries	68,828		66,617	
Benefits and payroll taxes	16,068		14,978	
All others	713,700		264,567	
Total	798,596	23.01%	346,162	10.63%

Subtotal school-level education services

Subtotal school-level education services	3,073,059	88.53%	2,800,065	86.01%
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**RURAL DISTRICT #3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TWO-YEAR PERIOD ENDING JUNE 30, 2011**

Student transportation

Salaries	130,697		136,308	
Benefits and payroll taxes	25,867		27,406	
All others	<u>72,136</u>		<u>103,031</u>	
Total	228,700	6.59%	266,745	8.19%

District-level administration

Salaries	101,224		117,503	
Benefits and payroll taxes	17,837		19,273	
All other	<u>50,487</u>		<u>51,957</u>	
Total	169,548	4.88%	188,733	5.80%

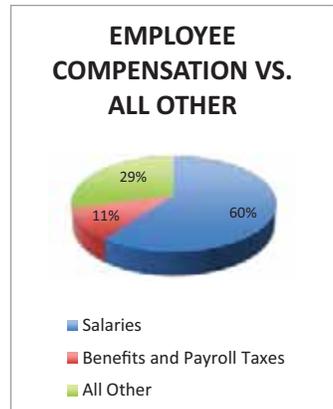
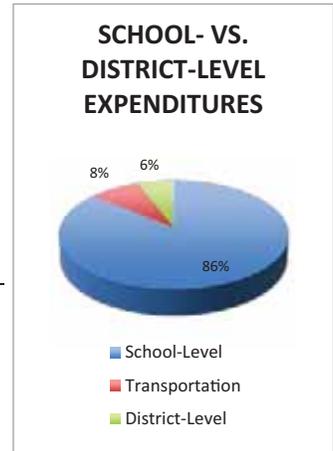
TOTAL EXPENDITURES **3,471,307** **100%** **3,255,543** **100%**

Revenues over (under) Expenditures

	(210,121)		154,162	
Other financing sources (uses)				
Other adjustments				
Net transfers in (out)				

Net changes in funds (210,121) 154,162

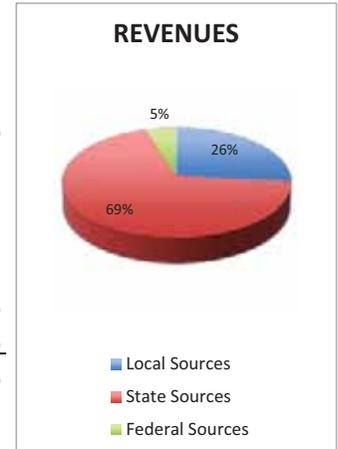
Fund balance				
Beginning of year	<u>3,818,238</u>		<u>3,608,117</u>	
End of year	3,608,117		3,762,279	



Key statistics (2010-2011)	
Number of students (ADM - average daily membership)	331
Per-student revenues	10,301
Per-student expenditures	
Instruction and support services	7,077
School-level administration	337
Facilities, operations and maintenance	1,046
Student transportation	806
District-level administration	<u>570</u>
Total general fund	9,835

**METRO DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TWO-YEAR PERIOD ENDING JUNE 30, 2011**

	Actual	% of Total	Actual	% of Total
	2009-2010	2009-2010	2010-2011	2010-2011
REVENUES				
Local sources				
Property taxes	8,992,925		11,404,720	
All other	1,251,761		1,153,696	
Total	10,244,686	22.05%	12,558,416	26.49%
State sources				
General education aid	26,859,189		27,662,362	
Special education aid	3,715,852		3,442,676	
All other state aid	547,403		1,457,823	
Total	31,122,444	66.99%	32,562,861	68.68%
Federal sources	5,091,523	10.96%	2,287,931	4.83%
TOTAL REVENUES	46,458,653	100%	47,409,208	100%



EXPENDITURES

School-level education services

Regular instruction

Salaries	14,692,027		15,631,818	
Benefits and payroll taxes	3,907,862		4,242,674	
All other	2,478,037		2,022,203	
Total	21,077,926	46.69%	21,896,695	48.87%

Special education instruction

Salaries	4,800,131		4,548,875	
Benefits and payroll taxes	1,422,504		1,350,253	
All other	877,039		1,131,999	
Total	7,099,674	15.73%	7,031,127	15.69%

Instructional and pupil support services

Salaries	3,148,347		2,492,373	
Benefits and payroll taxes	872,749		797,984	
All other	1,176,531		1,168,914	
Total	5,197,627	11.51%	4,459,271	9.95%

School-level administration

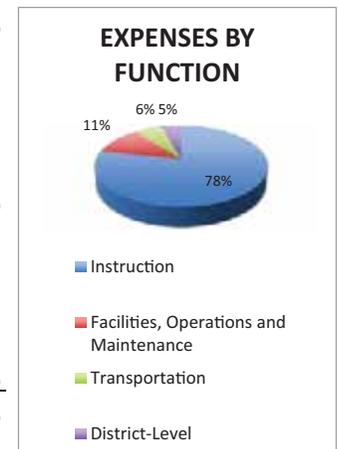
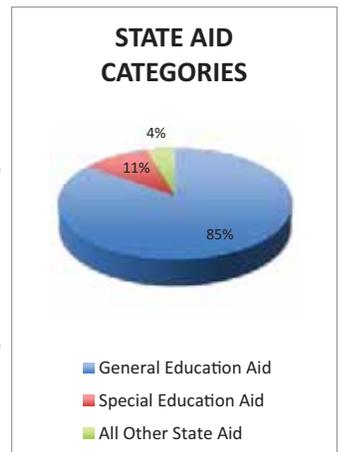
Salaries	1,325,696		1,407,179	
Benefits and payroll taxes	276,794		265,378	
All others	60,980		45,407	
Total	1,663,470	3.68%	1,717,964	3.83%

Facilities, operations and maintenance

Salaries	1,572,531		1,524,842	
Benefits and payroll taxes	455,023		466,557	
All others	2,968,469		3,043,892	
Total	4,996,023	11.07%	5,035,291	11.24%

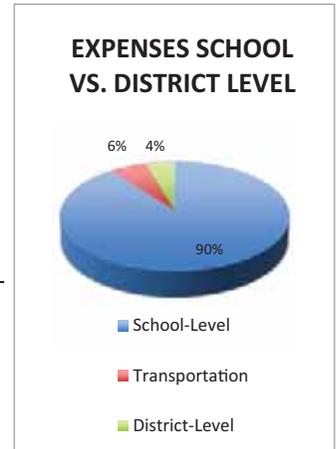
Subtotal school-level education services

Total	40,034,720	88.68%	40,140,348	89.58%
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**METRO DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TWO-YEAR PERIOD ENDING JUNE 30, 2011**

Student transportation				
Salaries	107,044		3,902	
Benefits and payroll taxes	33,325		1,796	
All others	<u>2,981,121</u>		<u>2,633,865</u>	
Total	3,121,490	6.91%	2,639,563	5.89%
District-level administration				
Salaries	1,172,555		1,204,603	
Benefits and payroll taxes	329,137		335,220	
All other	<u>487,502</u>		<u>488,349</u>	
Total	1,989,194	4.41%	2,028,172	4.53%
TOTAL EXPENDITURES	45,145,404	100%	44,808,083	100%
Revenues over (under) expenditures				
	1,313,249		2,601,125	
Other financing sources (uses)				
Other adjustments				
Net transfers in (out)				
Net changes in funds	1,313,249		2,601,125	
Fund balance				
Beginning of year	<u>1,238,639</u>		<u>2,551,888</u>	
End of year	2,551,888		5,153,013	



Key statistics (2010-2011)	
Number of students (ADM - average daily membership)	4,854
Per-student revenues	9,767
Per-student expenditures	
Instruction and support services	6,878
School-level administration	354
Facilities, operations and maintenance	1,037
Student transportation	544
District-level administration	<u>418</u>
Total general fund	9,231



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