

If this country is going to come anywhere near meeting its escalated expectations for public schools, we've got to create significant numbers of schools that are different in fundamental ways from the schools of the 20th century. Can we get the kinds of schools we need by changing the schools we have?

A NEW BET FOR

# Better Schools?

DIVERSIFYING PHILANTHROPIC STRATEGIES TO IMPROVE STUDENT LEARNING

A Report From a Funder Briefing on Creating New Schools as a Grantmaking Strategy  
MAY 26-27, 2004 • DENVER, COLORADO

grantmakers<sup>for</sup>education 

The  
PHILANTHROPY  
ROUNDTABLE



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# Executive Summary

## *Looking for Leverage in Education Philanthropy*

For much of the past 20 years, philanthropists have invested significant time, money and knowledge into the important task of improving the nation's education system. Collectively, their efforts have targeted all aspects of the system—from helping teachers upgrade their skills and knowledge to creating better curricula and classroom tools, from underwriting research into effective teaching strategies to designing models for “whole school” reform, from strengthening the leadership in schools to advocating for broad policy changes that could spark school improvement.

These disparate philanthropic strategies have had two characteristics in common. First, they have aimed largely to change the existing system from within, helping schools and districts improve teaching, learning, management and organization. Second, the changes they have promoted are likely to happen slowly and incrementally, usually on a small scale and not always across large systems or entire states.

Seeking ways to speed up the pace and success of changes in public schools, an increasing number of both philanthropists and school district leaders have begun considering a second strategy: Support the design and creation of brand-new public schools. The idea is to help educators and social innovators design and create new schools from scratch that are unencumbered by existing structures and staff. Philanthropists are backing individual new schools, as well as networks of schools and policy changes to enable the creation of more and better new schools.

Recognizing the apparent challenge of changing existing schools and systems, some see a “new schools” strategy as their best leverage point for creating many more successful public schools. Others see it as a complementary strategy to pursue in tandem with continued efforts to change existing schools—thus diversifying their strategies and avoiding a single “bet” on only one approach.

In May 2004, Grantmakers for Education and The Philanthropy Roundtable convened over 40 donors and grantmakers from foundations across the country to consider the effectiveness of a “new schools” strategy for philanthropy. With support from the Annie E. Casey Foundation and the Bill & Melinda Gates Foundation, the meeting—“Creating New Schools: Promising Strategy for Change?”—offered two days of conversation and reflection on the rationale for a new schools strategy, emerging evidence on its viability and the challenges grantmakers need to confront to support successful new schools initiatives.

### — Highlights of the Meeting —

#### WHY NEW SCHOOLS?

Participants first heard from Joe Graba, a former educator and now senior policy fellow at Hamline University, who addressed the question: “Why new schools?” Drawing on research about organizational change and his own extensive experience as an educator and education policymaker, Graba advanced a number of arguments that set the stage for the meeting:

- \* *The need for schools that are different.* Today's schools, he suggested, serve only about 60 percent of students well. We need a large number of schools that are very different from the ones we have now if we are going to help significantly more students achieve.
- \* *Limited capacity to “fix” existing organizations.* Graba cited research on a variety of industries suggesting that changing existing organizations is exceedingly difficult due to entrenched processes, values and cultures. Most change in industries comes from the entry of new organizations.
- \* *Implications for schools.* Graba argued that if private sector businesses, which have great flexibility and strong incentives to change, have trouble

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transforming themselves, it should come as no surprise that schools and school districts do as well.

\* *Creating space for doing things differently.*

The way forward, Graba suggested, is to create space in which new schools can form and have the freedom to thrive. Only then, he argued, will we have the schools we need for the new century.

**EMERGING EVIDENCE**

Participants also had the opportunity to review preliminary research on the relative challenges of creating new schools versus improving existing schools. The Bill & Melinda Gates Foundation is supporting the creation of small high schools nationwide through both approaches: forming new small schools and breaking up existing large high schools. Evaluators from SRI International and the American Institutes for Research have been following the progress of this work and presented initial results at the meeting.

Among their findings: the new schools have an easier time implementing the attributes the Gates Foundation is seeking in its high schools (such as a common focus, high student expectations and time to collaborate). Existing schools making a transition, by contrast, face serious barriers to doing so.

These results are preliminary, but they show considerable initial promise for the new schools approach to educational improvement.

**PHILANTHROPIC STRATEGIES**

The meeting's second day focused on how funders could successfully support a high-quality new schools strategy. Participants considered potential funding strategies in these categories:

- \* Supporting the *creation and operation* of high-quality new schools by investing in:
  - ~ The start-up of individual new schools;
  - ~ The development of “brands”—networks of schools operating under common principles and management structures;
  - ~ The creation of “enablers”—organizations that help new schools start by recruiting and developing leaders or working with successful charter schools to replicate;
  - ~ Solutions to vexing operational challenges that new schools face, such as facilities financing and governance.
- \* Creating a *policy environment* in which new schools can form and thrive by investing in:
  - ~ Organizations that are building the rationale for a new schools approach;
  - ~ Organizations advocating effectively for state statutes that create an environment in which new schools can form and thrive;
  - ~ Active and high-quality sponsors or authorizers of new schools;
- \* Research and evaluation that documents what's happening and what's working, both within new schools and within the new of new school creation.

The remainder of this report provides details about these potential strategies, based on the meeting's discussions, and next steps for funders interested in the new schools approach.

# Getting the Schools We Need:

## *An Argument for New Strategies*

The meeting began with a presentation by Joe Graba, senior policy fellow at Hamline University. Joe's unique public education career spans 40 years. A full transcript of his remarks, from which this section of the report is based, is available online at: [www.edfunders.org/downloads/events/Graba\\_NewSchools.pdf](http://www.edfunders.org/downloads/events/Graba_NewSchools.pdf).

This country has been involved in a 25-year struggle to improve its schools. While we have made progress, and continue to educate most children fairly well, our changing economy requires much more from public education. More students than ever before must perform at levels only expected of a small proportion of students previously. Basically, the current public education system serves fewer than 60 percent of its students well. But if all young people are going to succeed in the future, we must find ways to fundamentally change our public schools. Thus far, our efforts to improve achievement have focused on getting the existing schools to better serve all children. After investing billions of dollars across the country, nobody is satisfied with our progress.

This experience leads to two conclusions. First, if this country is going to come anywhere near meeting its escalated expectations for our schools, we've got to create significant numbers of schools that are different in fundamental ways from the schools we used during the 20th century. Second, we are not likely to get the kinds of schools we need by changing the schools we have. For the most part, we will need to create these different schools anew.

### **LESSONS FROM RESEARCH AND EXPERIENCE**

In addition to all of the lessons drawn from education research and experience, two researchers from the private sector have produced fascinating research that provides insights into the problem of improving education. Clayton Christensen, of the Harvard Business School, wrote *The Innovator's Dilemma*; and Richard Foster, of the McKinsey Group, wrote *Creative Destruction*. They tell us how difficult it is for organizations to change themselves and explain

“Two researchers from the private sector have produced fascinating research that provides insights into the problem of improving education... they tell us how difficult it is for organizations to change themselves and explain the crucial role of new organizations in fostering innovation in a sector.”

—JOE GRABA, HAMLINE UNIVERSITY

the crucial role of new organizations in fostering innovation in a sector.

Christensen found that we exaggerate the ability of organizations to change themselves dramatically. Organizations *can* improve themselves incrementally. He calls these small changes “sustaining innovations” because they help maintain and improve the current operation. Meanwhile, fundamental changes in the way an enterprise operates almost always involve the creation of new organizations. Christensen calls these fundamental changes “disruptive innovations” because they present a much greater challenge for the original organizations.

Foster's work supports Christensen's. Foster and his colleagues put together a database tracking 1,008 companies from 1962 to 1996. Of the 1,008 companies, only 160 were there from the beginning to the

end. The rest either came in after 1962 or left before 1996. The S&P 500 gives a similar picture. It was created in 1957 with 500 companies. By 1997, only 74 of the original 500 companies remained. While this turnover in companies is a driving force in America's creative economy, most business leaders don't like this message. They tend to talk to educators and public leaders about how well businesses manage and drive change in their organizations. As a result, most of us have the mistaken impression that the changes in our economy take place within existing organizations.

Leaders in public education tend to disregard private sector research. Doing so is often legitimate, particularly when the private sector is saying, "This is how we do it in business, and you ought to do the same in public education." Foster's and Christensen's research is different. They say, "Even in the private sector, we can't change ourselves in fundamental ways." The private sector enjoys advantages that should make it easier for them to change than is the case for public

schools. In the private sector, many organizations are driven by powerful market forces, the best leadership they can buy and unchallenged control over their resources. But despite these advantages, Foster and Christensen show, these organizations often cannot change themselves. Since almost no one would argue that public education's institutions are more adaptable, this research becomes highly instructive in efforts to improve public education.

#### WHY CAN'T ORGANIZATIONS CHANGE?

Christensen and Foster both focus on organizations' internal cultures. Foster says that every organization creates a culture, which he calls the "invisible architecture" of the organization. Culture is made up of three things:

1. The assumptions on which the organization was created.
2. The processes the organization uses to carry out its work.
3. The values inside the organization that influence the decisions people make.

### A Superintendent Turned New-Schools-Creator Responds

One respondent to Joe Graba's remarks was Don Shalvey. Shalvey was superintendent of schools in San Carlos, California, before becoming the CEO of Aspire Public Schools, a nonprofit that is opening new public schools throughout California. Shalvey was asked: What's the difference between managing a nonprofit school network and managing a school district? He cited four advantages to the nonprofit form:

\* **GOVERNANCE:** A nonprofit such as Aspire can pull together a non-political board of directors that buys into the corporate mission and collectively has the capacities needed to govern the organization well.

- \* **TEAM SELECTION:** Aspire can seek out, hire and retain the staff needed to do the job at hand with few restrictions.
- \* **MISSION FIRST:** Aspire started with a clear mission, then built a culture and a team of people to achieve it. "In typical school systems, the people are there first, and the missions get papered on externally, and the culture just meshes between the two."
- \* **ACCOUNTABILITY:** "We think night and day about being accountable. It is the air we have to breathe. Not 'list logic.' Not checking the boxes off." But accountability for results.

Those of us who have worked in or with public education know that schools have unbelievable invisible architecture. Trying to change one is like trying to push on a mountain.

According to Christensen, when organizations try to change, their assets turn into liabilities. An excellent organization needs a strong culture. Such a culture includes well-developed processes to minimize variation and deeply ingrained values to guide individuals at all levels as they make decisions in support of the current processes and services. Those assets help an organization pursue its original objectives. But they become liabilities when the organization tries to change fundamentally.

This lesson holds for public education as well. A primary obstacle to changing the schools we have is that, in almost every community, those schools serve the children from influential families fairly well. Consequently, these families are more interested in making “their” schools better than they are in making them different.

Creating new schools allows us to leave the customers with the schools that serve their children well and lets us create new schools for the students and parents who are not well served. The new schools approach also allows the adults to self-select themselves out of the old enterprise and into the new. The existing operation frustrates many teachers. They want to participate in the creation of schools that are fundamentally different. When we create new schools and make them choice schools, we enable teachers, parents and children to create a new culture in a place where everyone wants to be. This cohesion increases the chances that the new schools will be fundamentally different and successful at whatever it is they attempt.

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#### **CREATING AN ENVIRONMENT THAT SUPPORTS DISTINCTIVENESS AND CHANGE**

Creating new schools is only part of the issue. The next challenge is to sustain their distinctiveness. Foster interviewed CEOs who talked about how much they invest in research and development. These leaders wanted to appear interested in innovation. But when Foster pushed them, he found that they value control even more. CEOs try to keep innovations within the traditional enterprise, subjecting it to the old culture. Over time, the culture erodes the innovation until it fits comfortably back into the old culture.

While charter school policies offer promise, this same erosion threatens them as well. Chartering offers promise for two reasons. First, the chartering laws in most states provide freedom to chartered schools. This freedom lets them be different and helps them attract, through choice, a group of adults and students that support or benefit from their school’s chosen strategy. Second, the laws also provide freedom to sustain that distinctiveness over time as long as the schools perform. Unfortunately, the reality of implementing these laws doesn’t always fulfill this promise.

One of the charter sector's dilemmas is that it must borrow infrastructure from the existing enterprise. Every state has an agency that helps oversee the chartered schools. These agencies are full of good people. But their processes were developed for traditional schools and districts and their employees, who generally come from the district sector and express values and mental frameworks that are tied to those approaches. As a result, they tend to use those same values and processes to oversee charter schools. The same holds true for districts as sponsors. It is a tremendous challenge for districts to

“Restricting our efforts to reforming existing schools forces us to deal only with incremental changes in those schools.”

—JOE GRABA, HAMLINE UNIVERSITY

treat their chartered schools and their traditional schools differently. To do so under a single governance structure is just about impossible.

### Creating the New vs. Fixing the Old: “Either/or” or “Yes, and”?

HAVE ADVOCATES OF NEW SCHOOLS GIVEN UP ON THE PUBLIC EDUCATION SYSTEM?

If funders get behind the strategy of creating schools new, are they abandoning the idea of fixing existing schools? Or, as one meeting participant put it, is the idea of creating new schools “either/or” or “yes, and?” A great deal of the discussion centered on these questions.

Some of these concerns were couched in terms of whether Graba was suggesting revolution as opposed to evolution. Graba explained:

*This is not either/or.... In no way would I suggest that we ought to back away from efforts to get improvement in the existing schools. But there are real limits to their capacity to change dramatically, and this [Christensen and Foster] research gives pretty solid information about the limits of change. For me, it's a two-bet strategy. [We're] trying to do both, not just one. I would not want anybody to think that this somehow replaces efforts to improve existing schools.*

A number of ideas emerged about how a new schools strategy could complement or support efforts to improve existing schools. Several funders thought new schools could create competition that would place pressure on existing schools to improve. Others mentioned the possibility that existing schools could learn from the experiences and successes of new schools. Another strand of thinking was based on the idea that some districts, especially rapidly growing ones, may regard new schools as “partners” in the effort to meet growing demands.

One foundation that has taken a “yes, and” approach to this question is the Bill & Melinda Gates Foundation, whose grants have supported both new school creation and efforts to improve existing schools. The early evaluation of the Gates strategy, highlighted in a later section of this report, suggests that in many cases, the new schools supported by the foundation have found it easier to adopt reform practices than the existing schools.

## MODELS FOR THE FUTURE

Christensen's research points to approaches that help innovators overcome these challenges. As we try to create new schools that are fundamentally different, the following models, or variations of them, could be used:

1. *Totally independent organizations:* The most common innovator is a totally independent new organization. Such organizations brought us the personal computer, a host of software applications and low-cost airlines..
2. *Wholly-owned subsidiaries:* The Dayton Company, which had operated department stores, created Target stores and gave them enough freedom from the traditional culture to develop a new business model and a new culture. This allowed Target to compete effectively with K-Mart and Wal-Mart, as well as with the parent company's own department stores. This was only possible

because Target's management reported to the company's board, not to the management of the department store unit.

3. *Filtering committees:* Another model has emerged when a large existing organization acquires a formerly independent challenger. When Cisco purchased Linksys, it broke with tradition and did not bring the company into the traditional operation. Linksys was left as a subsidiary. In addition to providing Linksys with considerable freedom, Cisco also created a "filtering committee" that included leaders from Cisco and Linksys. This structure allowed Cisco to help Linksys without interfering.

## THE COURAGE TO HELP PUBLIC EDUCATION CHANGE

The notion that we won't be able to change our existing schools into the new schools we need is a difficult message to accept. Most of us have fond

## How Innovative Models are Emerging in Education

Each of the three models for innovation identified by Graba is already emerging or could emerge in public education:

- \* **TOTALLY INDEPENDENT ORGANIZATIONS:** Most states with charter legislation have empowered "alternate authorizers"—organizations other than school districts granted the power to issue charters. The schools chartered by these alternate authorizers are "totally independent organizations" not governed by local school districts.
- \* **WHOLLY-OWNED SUBSIDIARIES:** Several large school districts, including Chicago, New York and San

Diego, have opted to create significant sectors of new schools within the district structure. These new schools are part of the parent corporation (the school district), but operate with independence.

- \* **FILTERING COMMITTEE:** In a school district hospitable to independently operated schools, it's possible the district could enter into mutually beneficial relationships with completely independent charter schools. With a "filtering committee" structure such as Cisco did for Linksys in place, schools could tap the districts' resources without stifling their own independence.

memories of the schools we attended. We have friends and relatives who work in district schools. We know they work hard and are committed to serving our children well. It is a tragedy that these people are locked into a system that they can't change and that can't meet the escalating learning needs of our society without changing.

This is not an easy journey. But if we are going to retain the wonderful institution of public education through this new century, we must have the courage to help it change.

### Is it Really Possible—or Desirable—to Close Failing Schools?

While Graba's discussion of Christensen's and Foster's research focused on the need to create new organizations, it also raised the specter of the closure of failing organizations. As policy analyst Ted Kolderie summarized: "The central concept in this theory of action is replacement.... We're looking at a process that's like the process of change in most institutions: over time, new and better organizations replace older preexisting institutions."

In the minds of some foundation officials, this idea raised a red flag. It's one thing for floppy drive manufacturers to close if innovation surpasses them. It's quite another, they argued, for schools to close. In the words of one participant, we "can't afford to have schools start... that aren't there in the future."

Graba and others present disagreed with this assumption. As Graba explained:

*I would like to disagree with the assertion that we can't afford to close schools. We have to be honest. Part of the assumption of continuity, the assumption that every school will continue indefinitely, undermines the improvement of the sector. Even in the charter sector, we're not closing enough schools.... [W]e have chosen, maybe subconsciously, to not undergo the pain of closing fail-*

*ing schools, and we hide failure by letting them continue even though we know kids are not being effectively taught. As a country, if we're going to have a viable alternative, we've got to admit that creative approaches sometimes don't work out.*

Greg Richmond, of the Chicago Public Schools, offered sobering advice both on the difficulties of closing schools and on the need to create options for those attending the failing school that close:

*[I'd like to] comment on closing schools as someone who has successfully closed failing schools—and failed recently in closing a failing school. We shouldn't be too casual or flippant about that, and say it just has to happen.... [We] still have hundreds of lives bound at a school. You have to have something better to offer them, and that's where we just failed. We knew the school was failing but we really didn't have anything better to offer. That was a very frustrating experience, and our goal is to never be in that situation again. That's one of the reasons we started this new unit in the Chicago Public Schools [an office devoted specifically to new schools creation]—to have a supply of new organizations.... [W]e need to have a supply so we will have something better to offer in every case.*

# What Does the Evidence Say?

## *Data from the Bill & Melinda Gates Foundation's Small High Schools Project*

Graba's remarks were provocative—but how successful is new school creation as an improvement strategy, relative to other approaches? For help answering that question, the meeting turned to the experience of the Bill & Melinda Gates Foundation, which aims to create small high schools both via creating new schools and improving existing schools.

The foundation is funding an evaluation of its small school initiative, which is being conducted by SRI International and American Institutes for Research. Its grantees are national, regional or local organizations that work as intermediaries to facilitate the emergence of smaller high schools in two ways:

1. *Helping districts form small schools by converting—or breaking up—large, low-performing high schools into groups of small high schools (“conversion schools”), and*
2. *Helping create new small high schools (“start-up schools”).*

Some of the groups working to create the small schools work by replicating a successful small school with a particular model or method of operating. These original schools are included in the study and are referred to as “model schools.”

The variety of approaches under study allows for comparisons of the strategies, turning the program's evaluation into a quasi-experimental design contrasting the new schools strategy with traditional efforts to turn around low-performing schools. David Ferrero of the Gates Foundation and Barbara Means, one of the principal investigators of the evaluation, reported on their preliminary findings at the Denver meeting.

### **MORE “REFORM-LIKE INSTRUCTION” IN START-UP SCHOOLS**

The Gates Foundation uses a set of “attributes of high-performing high schools” and measures of “reform-like instruction” to gauge the degree to which schools are cultivating conditions and adopting practices that prior research has associated with

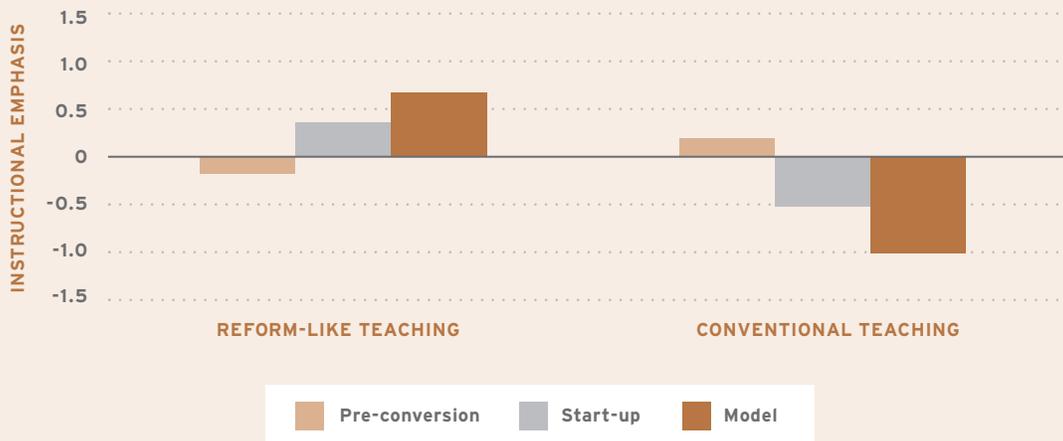
positive student outcomes. While the program is too new still to make conclusions about the effects of the different strategies on student achievement, the preliminary evaluation provides information on the relative ability of new schools and existing schools to implement these attributes and adopt effective instruction—and it tells us about the subsequent impact of these initial steps on student attitudes toward their education. The first two years of data collection included five model schools (exemplary small schools that pre-date the foundation's initiative), 22 start-up schools, and 10 existing schools converting to small schools.

*“We still have the majority of students in [district] public schools. We don't want to forget what happens to them. But if there are new ways to reach these children, and affect hundreds of lives, and turn them around, . . . we should pay attention.”*

—LYDIA MILES LOGAN, KIMSEY FOUNDATION

Thus far, there are indications that start-up schools can more easily implement the attributes of high-performing schools than can existing schools (*see chart*). The schools with a more thorough implementation of these attributes (the start-up schools) are also positively affecting the attitudes of students.

## Reform-like and conventional teaching, by school type



Evaluators measured the degree to which schools supported by the Bill & Melinda Gates Foundation emphasized “reform-like” instruction—the kind of instruction the foundation hopes to stimulate in schools. This chart compares the degree of emphasis on reform-like and conventional instruction in three groups of schools: pre-conversion (existing schools engaged in restructuring), start-up, and model (schools deemed “models” of reform-like instruction by the foundation.)

**SOURCE:** The National School District and Network Grants Program, Year 2 Evaluation Report. Prepared for the Bill & Melinda Gates Foundation by SRI International and the American Institutes of Research, April 2004, p. 62. Available at: [www.gatesfoundation.org/Education/ResearchandEvaluation](http://www.gatesfoundation.org/Education/ResearchandEvaluation)

Many of the start-up schools (especially those that are very small—those serving fewer than 50 students) even outperform the model schools.

### THE EVALUATION FOUND THAT:

- \* Small start-up schools can implement high levels of personalization, establish high expectations, and find time for teachers to collaborate. Some start-ups were even able to out-perform the model schools on these measures.
- \* The schools that exhibit the high-performing school attributes are more likely to provide reform-like instruction in their classrooms.
- \* Students in schools with both the desired attributes and reform-like instruction have more positive attitudes towards education.
- \* Students in the model high schools express strongly positive attitudes toward education, regardless of their socioeconomic status.

Although the pre-conversion schools had not progressed far enough to make conclusions about their eventual ability to implement these attributes—or, more important, to increase student achievement—preliminary data pointed toward significant obstacles that made the conversion schools’ work more difficult than that of the start-ups. These schools had to spend large amounts of time addressing facilities, schedules, staffing and student assignments; maintaining parental support; and reconciling the need to achieve equity with the desire to avoid sacrificing perceptions of excellence or program offerings aimed at higher-performing students.

Subsequent years of data will make more definitive conclusions possible. But this early evidence clearly supports the idea that starting schools anew makes it easier to implement the attributes that the Gates Foundation seeks in high schools.

# How Can Funders Contribute to a New Schools Strategy?

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On the second day of the meeting, the conferees turned to the question of “how”: for funders interested in backing a new schools strategy for improving public education, what philanthropic approaches make the most sense? Bryan Hassel of Public Impact and Ted Kolderie of Education|Evolving opened the day with brief presentations on two strategies for philanthropy:

1. SUPPORTING THE START-UP AND OPERATION OF HIGH-QUALITY NEW SCHOOLS;
2. CREATING A POLICY ENVIRONMENT IN WHICH SUCH SCHOOLS CAN FORM AND THRIVE.

## SUPPORTING START-UP AND OPERATION OF NEW SCHOOLS

Hassel first outlined some philanthropic approaches to creating a more robust supply of high-quality new schools. Many funders have supported individual new schools, and some one-off schools are among the most successful new schools in the country. But many donors have begun to wonder whether the new schools idea can achieve scale solely by building schools one at a time.

Hassel suggested a couple of ways in which funders have begun to support larger-scale new school creation:

- \* **Brands.** One way donors can invest in scale is by supporting organizations seeking to create “brands” of schools—schools linked together by some common characteristics and subjected to some form of quality control by the brand organization. School brands are taking many forms. Some are seeking to “own and operate” multiple schools directly. Others are looser networks of independent schools that pledge to adhere to certain principles or approaches. Either way, these organizations need significant resources in order to develop their designs and operate over the short term before they attain economies of scale. Philanthropic support is essential for this kind of “organizational capacity-building.” Locally oriented funders can also help bring brand-name schools to their areas.
- \* **Enablers.** In contrast to school brands, enabling organizations are not seeking to create schools directly. Instead, they aim to enable great new

schools to open by providing services to would-be entrepreneurs. For example, several initiatives have arisen to recruit and train leaders to open and operate new schools. In most states with charter laws, one or more nonprofit organizations exist to help individuals and groups start successful charter schools. And organizations have begun to emerge that help successful one-off schools expand to multiple sites. All of these are examples of “enablers.”

These efforts aim to help people start successful schools, but once open new schools face considerable operational challenges: facilities financing and development, handling “back office services” and board governance, to name a few of the most vexing. These difficult issues often soak up resources and, perhaps more important, the attention of schools’ leaders.

Hassel explained that philanthropic investments can help mitigate these challenges. As an example, several funders have helped new schools finance their facilities more affordably by providing “credit enhancement”: some form of guarantee or security backing that makes school financing more attractive to risk-averse lenders. “Program-related investments,” or PRIs, are often used for this purpose.

This kind of assistance can be offered at the school level: helping an individual school with a loan guarantee or a contribution to a capital campaign. In addition, funders are exploring vehicles to help multiple schools meet operational challenges, such as

establishing real estate intermediaries to buy, refurbish and lease buildings to new schools, or creating pools of funds that provide security for several schools' loans.

#### CREATING A STRONG POLICY ENVIRONMENT

According to Education|Evolving's Kolderie, scaling up the creation of new schools will require an equally substantial effort to strengthen the policy framework in which the schools are to be created. Suppose the country were deciding to increase dramatically the rate of new housing production, Kolderie suggested as an example. Clearly, it would not be enough just to find more contractors, train more workmen, produce more building materials, and increase the supply of mortgage financing. It would be necessary also to have a place to put the

“Our hope is, if we’re successful in this effort, that we’ll get the leverage as a movement to incentivize all public schools to change and improve.”

—BEN LINDQUIST, WALTON FAMILY FOUNDATION

new houses. This would involve more than just acquiring the land: It would be essential also to ensure there are building and environmental policies that make the land developable, to secure planning and zoning permission, and to arrange for the responsible agencies to provide the supporting infrastructure of roads, utilities and schools.

### Jumpstarting the Charter School Movement

For numerous examples of how donors have pursued the strategies outlined here, see the Philanthropy Roundtable publication *Jumpstarting the Charter School Movement: A Guide for Donors*, available at [www.PhilanthropyRoundtable.org](http://www.PhilanthropyRoundtable.org).

The publication outlines four “strategic priorities” for funders interested in supporting a new schools strategy, including:

- \* **BUILDING A ROBUST SUPPLY OF HIGH-QUALITY NEW SCHOOLS.** Donors have supported the creation of individual schools, networks or “brands” of schools, and a host of organizations that exist to help entrepreneurial leaders start new schools.
- \* **ADDRESSING CRITICAL OPERATIONAL CHALLENGES.** Funders have helped new schools finance

facilities, provide special education, build strong boards, and meet other important operational challenges—often by spurring the creation of new organizations that can help multiple schools with these issues.

- \* **IMPROVING CHARTER SCHOOL QUALITY CONTROLS.** Philanthropists have helped improve the quality of charter school “authorizers,” the agencies that approve and oversee charter schools. They have also stimulated a better supply of information about how well charter schools are doing.
- \* **FORGING CHARTER-FRIENDLY PUBLIC POLICIES.** Funders have backed numerous organizations at the state and national level to advocate for public policies that make it possible for new schools to form and thrive.

This is exactly the challenge, Kolderie said, faced by those interested in creating more new schools. Kolderie distinguished five elements of this challenge:

- \* *Building the rationale.* We have to build a case in people's heads for this idea of new schools. Building a clear and compelling public-interest rationale is our number-one job if we are to expand the program of new school creation. It is the fundamental block on which everything else rests.
- \* *Enacting statutes.* The law must make a place, too, for the new schools program. The statutes must permit and encourage the creation of more new schools; they must be live laws that actually produce schools. The law will need to change and improve over time, to produce additional schools.
- \* *Ensuring quality sponsors.* Today, most new schools arise through "chartering." Chartering is a contract arrangement through which teachers and others can propose schools. But these have to be approved (and overseen) by a sponsor/authorizer. Increasing the number and capacity of these sponsors to provide good oversight is critical to increasing the number of schools.

“We shouldn't feel the strategy of starting new schools has failed when some of the schools fail... any more than a business would say its 'R&D' program has failed when one of the new products it's testing doesn't work out.”

—TED KOLDERIE, EDUCATION | EVOLVING

- \* *Creating supportive state agencies.* We need a more supportive place in the executive branch of state government for the new schools program. Minnesota Governor Tim Pawlenty, for example, by executive order created a division of choice and innovation. Perhaps in time, states will evolve separate agencies: one to deal with the district sector and the other to support entrepreneurs in the emerging open sector of public education.
- \* *Conducting research and evaluation.* We will need to know more about what is happening and about what is working well, and we must

### Creating New Schools: The Strategic Management Challenges of Charter Schools

To help new schools with their management challenges, the Annie E. Casey Foundation commissioned a paper by Harvard professor Peter Frumkin, who now runs a training program for new school leaders designed to help them with three central strategic management tasks: (1) building legitimacy and sup-

port, (2) mobilizing operational capacity, and (3) defining the school's mission. Frumkin's work also addresses how these challenges change over the life cycle of a new school. The paper is online at: <http://www.aecf.org/publications/data/createnew-schoolspages.pdf>

## Researching the New Schools Strategy

One breakout session at the Denver meeting focused on research: how can funders contribute to a growing knowledge base about new schools as a strategy for educational improvement?

Funders in this group expressed deep concern about the quality of new schools being created through charter school programs and other channels. Research and evaluation, they suggested, needs to focus in part on what's different about the new schools that are emerg-

ing, especially in the classrooms—and on the impact of those differences on students.

Funders learned about a new center for charter school research currently in formation at the University of Washington's Center for Reinventing Public Education ([www.crpe.org](http://www.crpe.org)). The center will serve as a central source of information and research about the charter sector.

think separately about the strategy of new school creation and the new schools themselves.

The strategy can be succeeding while some of the schools are failing—as can happen with any research and development program.

How can funders contribute to these policies? One of Kolderie's suggestions was for donors to support "design work"—generating new ideas and "theories of action," commissioning research and conducting evaluations. Foundations can also be advocates, helping to defend the new schools program when its opponents try to cripple it in the legislature or the courts. Foundations can do these things directly or through existing or new donor-created organizations. In short, foundations will be—need to be, said Kolderie—as important in expanding the policy framework for the new schools sector as they are in increasing the scale of the new schools themselves.

**“Many funders are not willing to fund organizational capacity.... That’s not true in the private sector. If [funders] only fund direct service in the classroom, then this movement will fail, because it has to have organizational capacity around it to grow.”**

—KIM SMITH, NEWSCHOOLS VENTURE FUND

# Next Steps for Funders

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After these presentations, funders participated in break-out sessions on supporting new school creation, creating a strong policy environment and conducting useful research on the new schools strategy, and then reconvened for a wrap-up session.

In some ways, these discussions demonstrated how much funders have already learned about supporting a new schools strategy. Examples of effective and ineffective giving were offered, and participants agreed on the need for grantmakers to share what they are learning more actively. There was a call for more convenings on both the general topic of the new schools strategy and on specific aspects of the challenge, such as working with school districts interested in creating schools anew.

In the meantime, the meeting suggested a number of questions that funders with an interest in new schools strategies can ask themselves:

- \* Are there ways in which diversifying our philanthropic approach by adding a new schools component could help address some of the challenges we face? Could new schools provide more fertile ground for some of the changes we would like to see?
- \* If we pursue a new schools strategy, what challenges should we expect in doing so?
- \* Should we focus on new school creation within school districts, outside districts or both?
- \* What can we learn from our peers who have already started down this path?
- \* How can funders interested in the new schools strategy share their approaches and strategies?

Both Grantmakers for Education and The Philanthropy Roundtable are committed to helping funders answer these questions as they go forward. In that sense, the May 2004 meeting was just a beginning.

“What institutions and services in the present system can be helpful, which ones are problematic and no longer useful, and what new institutions and services need to be initiated so we can create large numbers of high quality new schools?”

—BRUNO MANNO, ANNIE E. CASEY FOUNDATION

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