Rethinking Investment in Districts: Philanthropy’s Role in Realizing the Promise of School District Innovation Zones

By Nithin Iyengar, Kate Lewis-LaMonica, and Mike Perigo
Promising results indicate that a new wave of innovation zones can improve low-performing schools, giving funders reason to rethink their reluctance to invest in school district reform efforts.

Over the past three years, philanthropists in Denver, Indianapolis, and Memphis made multi-million dollar investments to help school districts in those cities implement a new wave of “innovation zones.” While each zone is tailor-made to fit local conditions, all are uniquely designed to facilitate better teaching, more learning, and accelerated student outcomes—with an emphasis on turning around low-performing schools.

Interest in innovation zones has picked up in recent years as legislatures in six states have given school districts the authority to grant select schools varying degrees of autonomy from school district and state policies. That flexibility typically means school control over staffing, curriculum, and budgeting. The schools remain under the district’s jurisdiction and are held accountable for significant improvement in student outcomes. Early results from this new wave of innovation zones show the kind of promise that fuels optimism about their potential to dramatically improve failing schools. For funders interested in significantly improving school districts, innovation zones offer a potential path forward.

But first, innovation zones have to prove they are more than just another reform that ultimately disappoints. Philanthropists in Denver, Indianapolis, and Memphis believe in the promise of such zones and have taken up the challenge. In each city, the have stepped up with “big bets”—investments in some cases exceeding $10 million—to help school districts ensure this new wave of innovation zones realize their promise of accelerated student outcomes.¹

The unmet aspirations of K-12 funders

These foundations remain the exception, not the norm. Most funders—despite broad support for K-12 education—do not invest in school districts. Our recent survey of Philanthropy Roundtable members found that local and national philanthropists, in principle, profess a high degree of interest in improving K-12 education. Among the 279 survey respondents, 86 percent believe that better schools are one of the most effective ways to increase opportunities for all students to achieve economic mobility.² Yet, roughly half said they do not invest in school district reform initiatives, citing a number of reasons. Most (70 percent) are likely to invest in other reform models, primarily charter schools.

² In the fall of 2016, The Bridgespan Group conducted a survey of education funders in partnership with Philanthropy Roundtable.
Six in 10 lack confidence in district turnaround efforts. An equal number question local political commitment to reform.

None of this comes as a surprise. In fact, we typically counsel philanthropists to approach school district investments with a high degree of caution. It’s widely understood that districts face significant barriers to designing and implementing sustained improvements in chronically underperforming schools. In particular, the size and complexity of urban districts pose daunting challenges, despite glaring need. Many students—especially low-income students of color—fall years behind in reading and math. Principals and teachers grow fatigued by repeated—mostly unsuccessful—improvement efforts. Money also is a problem. Cash-strapped districts in recent years have relied heavily on federal grants to fund turnaround strategies, but that source has diminished over time. As a result, many district leaders feel stymied when it comes to delivering meaningful improvement.

For their part, funders that do invest in school districts mostly make smaller gifts for discrete programs, such as enrichment activities, extended-day programs, technology investments, or teacher training. All of these investments have merit, but they are not transformational. The lack of transformative philanthropic opportunities in school districts not only highlights the gap between philanthropic aspiration and action on behalf of education reform, it also starves public education of philanthropic investment that could lead to promising high-impact improvement efforts.

### Innovation zone design features that funders should look for

So what will it take to close the aspiration gap? Two-thirds of survey respondents said they would be more willing to support school district initiatives under two conditions: districts must demonstrate sustained improvement in student achievement, and they must give the schools the autonomy they need to achieve better teaching and improved learning. A new wave of innovation zones hold promise for achieving both.

In a recent report, we profiled innovation zones that have been thoughtfully designed in five cities: Chicago, Denver, Indianapolis, Memphis, and Springfield, MA. Among them, we identified three different types (see sidebar on the next page) based on key governance choices. Yet, they reveal certain design features that place a focus on improving teaching and learning over multiple years—the heart of any successful turnaround effort. In our view, insufficient attention to supporting teachers and advancing classroom learning undermined most school turnaround efforts over the past decade. Innovation zones use their operational autonomy to ensure that what happens in the classroom takes center stage.

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3 Forthcoming paper from The Bridgespan Group on promising “innovation zones” across the country.
Three Types of Innovation Zones

A growing number of school districts have launched a new wave of “innovation zones” that holds promise for improving outcomes for low-income students attending low-performing schools. In our research, we identified three types of “innovation zones”:

**District-led innovation zones**
The school district selects a group of low-performing schools and identifies what autonomy they may exercise over staffing, curriculum, and budgeting. State law or school board policy grants school districts the authority to exempt schools from local and state regulations. School boards, in turn, hold the innovation zone schools accountable for improving student outcomes.

School districts appoint a senior-level innovation zone leader responsible for overall strategy and empower this leader to select principals committed to implementing successful turnaround policies. The principals pick their teaching staffs and work with them to shape the instructional program. School districts support the costs of teacher professional development tailored to specific needs and teaching supports, such as coaches or added time to the school day.

**Examples of district-led innovation zones:** Shelby County Schools Innovation Zone, TN; Syracuse iZone, NY; Aurora, CO; Pueblo, CO; Clark County School District, NV

**Third-party led innovation zones**
Schools districts enter into a contractual agreement with a third-party—a nonprofit or a charter organization—to operate a select group of low-performing schools. The third-party operators are granted autonomy in staffing, scheduling, curriculum, and budget, but they are contractually accountable to the school board for instructional improvement. Renewable contracts typically run for several years but may be cancelled for failure to produce agreed-upon results.

**Examples of third-party led innovation zones:** Chicago (Chicago Public Schools contracting with the Academy for Urban School Leadership); Springfield, MA (Springfield Public Schools contracting with Springfield Empowerment Zone Partnership); Los Angeles (Los Angeles Unified School District contracting with the Partnership for Los Angeles Schools)

**Autonomous improvement zones**
Any school within the district can apply for operational autonomy, whether or not it is low-performing and schools can group together to form a “zone.”

Third parties contract with the school board for operational control of the “zone” of schools. Acceptance is tied to contractual obligations for student performance. The entity granted control is responsible for developing the instructional program, as well as staffing and budgeting.

**Examples of autonomous improvement zones:** Denver (Denver Public Schools contracting with Luminary Learning Network); Indianapolis (Indianapolis Public Schools contracting with Phalen Leadership Academies)

While the design features we identified don’t guarantee success, they put it within reach. And they set this new wave of innovation zones apart from the vast majority of prior unsuccessful turnaround efforts and other “zones.” Drawing on the experiences of the five cities we studied, promising innovation zones:

- **Set ambitious goals:** Innovation zones commit to and hold schools accountable for ambitious goals that signal the magnitude of improvement required in teaching and learning. For example, rather than settle for incremental improvement, such as moving
off a list of low-performing schools, they typically aim to accelerate student learning to be in the top quartile of schools or higher in the state. Innovation zones hold schools accountable for such performance via contractual agreements or principal evaluations. It takes ambitious goals to put students on the path to economic mobility.

- **Guarantee autonomy:** Innovation zones have the flexibility to pick principals and teachers best able to lead classroom improvement, add time to the school day, tailor professional developmental and other supports for teachers, and allocate financial resources as necessary to support the improvement effort. Such autonomies are often guaranteed via a performance contract or board policy that can withstand superintendent transitions or changes in district practices. Guaranteed autonomy distinguishes such innovations zones from most turnaround efforts and is a critical enabler for putting teaching and learning front and center.

- **Improve teaching and boost learning:** A large proportion of students in low-performing schools live in high poverty neighborhoods where student achievement lags national averages and economic mobility remains elusive. Closing this gap requires a significant improvement in teaching and learning over multiple years. Innovation zones exercise their decision-making autonomy to close this gap in two ways. They provide an initial infusion of teachers who are better prepared to succeed in low-performing schools, and they provide instructional supports and professional learning opportunities that elevate teachers’ daily work with students.

- **Follow the students:** Innovation zones aim to include all, or most, schools in a K-12 feeder pattern. By focusing on a set of schools in the same community, students receive multiple years of great instruction, allowing them to “pick up steam” as they progress to and through high school. In the difficult work of school turnarounds, this strategy increases the odds of preparing students for success in college and career, which puts them on a path to greater economic mobility.

- **Are sustainable and scalable:** Innovation zones have long-term sustainability and scalability as an aspiration from the start. There is a clear commitment to the improvement effort—led by the superintendent and her/his leadership team—often codified in a board policy or contract. Maximum state and federal funding goes to the schools and to support zone leadership that is focused primarily on student achievement growth. Such designs often start small and aim to demonstrate that effective reforms can be sustained and scaled over time.
Guidance for philanthropists considering district investments

These five design features tell funders what to look for. When implemented well, we believe these features create a promising, district-led path to better student outcomes. The question is, how should donors think about and work with districts to create high-impact investments that lead to results? We offer four suggestions that draw on the experience of philanthropists we’ve interviewed on the front lines of innovation zones and our own experience advising foundations and individual donors.

Question assumptions about what works

It’s human nature to anchor on one set of beliefs and shut out alternatives. But if you are open to new thinking, step back and ask: What does it take to deliver significant improvements in student learning, and under what circumstances can school districts meet those expectations? For some funders, high-quality charter schools for years have been the answer to the first half of the question. But innovation zones—with their operational autonomy, promise of improvement in student achievement, and money-saving use of existing district facilities and other resources—have given some funders reason to reconsider district-led reform initiatives.

The Denver-based Gates Family Foundation is one such funder. The foundation has long supported improving educational outcomes in Denver to “enhance the quality of life for those living in, working in, and visiting the state.” Until recently, the foundation put its education funds to work mostly in charter schools or nonprofits that provided critical supports to charter schools. “Our investments were largely outside the school district because we believed such investments would translate to improved student outcomes,” explained Mary Seawell, the foundation’s senior vice president for education and former president of the Denver Public Schools Board of Education.

In 2016, the Foundation revisited its education strategy and asked a critical question: What does it take to improve outcomes in K-12 schools, and could that occur within Denver Public Schools? The question took aim at the foundation’s long-standing commitment to charter schools and sought to identify the reasons why decision makers regarded charters as the best avenue for educational impact. This exercise in self-reflection surfaced three key beliefs in what it takes to run a successful school: (1) excellent, committed school leaders with a high degree of autonomy, (2) the ability to attract, develop, and retain the best teaching talent, and (3) a commitment to creating and maintaining a strong school culture that supports achievement, demands accountability, ensures transparency, and develops both students and adults as part of a learning community.5

While affirming its support for charter schools, the foundation’s leaders also saw promising attributes in Denver’s growing number of “innovation schools.” Authorized by a 2008 state law, the Denver school district had 38 innovation schools by 2016, all operating with waivers from certain state and district rules. “The opportunity afforded by innovation schools opened our eyes to investing in the district,” said Seawell.

5 Gates Family Foundation, “Strategic Plan 2017-2021.”
That opportunity came to fruition in April 2016 when the Denver Board of Education created the first Innovation Zone, called the Luminary Learning Network. Four schools—already innovation schools—formed a network to gain even more autonomy to focus on improving student learning. Schools in the zone answer to an independent, nonprofit board that guarantees enhanced flexibility over hiring, curriculum, and budgets via a memorandum of understanding with the Denver Board of Education. In turn, the nonprofit board is held accountable for the schools’ performance.

The Gates Family Foundation saw in the Luminary Learning Network an operational framework that aligned with its own beliefs about what it takes to operate successful schools. Hence, the foundation decided to make a significant investment to launch the network. It also has helped support the incubation and ultimate approval of the network by the Board of Education. It was one of the foundation’s first major investments outside of charter schools. “We never would have made that investment had we not first questioned our own beliefs,” said Seawell.

**Wait patiently for the right investment opportunity**

In our experience, some impact-oriented funders make investments in school districts when enticed by a visionary superintendent, a recent policy change, or a novel initiative. Yet, district plans to improve low-performing schools have little chance of achieving significant improvement over time and at scale unless they focus on the five design features outlined above.

Wait patiently for a plan that has these ingredients for success. It takes time for a district to build the capacity to carry out these success factors. But that does not mean waiting on the sidelines. In some cases, it may be helpful to provide modest levels of philanthropic support to lay the groundwork for or create the policy conditions to support an innovation zone. But the district still must carry the design and leadership burden to warrant greater investment.

This patient approach guided the Memphis Funder Collaborative as they evaluated whether to invest in the innovation zone created by Shelby County School District, which includes the city of Memphis. This collaborative of funders—which includes the Hyde Family Foundation, the Poplar Foundation, and the Pyramid Peak Foundation—had made significant investments in improving Memphis schools over a number of years, focusing primarily on growing high-performing charter schools and providing effective teachers and other wraparound supports to those schools. The opportunity to invest in the district’s innovation zone evolved over several years.

In 2010, Tennessee’s legislature passed a law creating a state-run Achievement School District with a mandate to take over the state’s lowest-performing schools—the bottom 5 percent—and either run them directly or hand them over to a charter operator. The Achievement School District set the ambitious goal of moving schools from the bottom 5 percent to the top 25 percent in the state. Memphis had the highest concentration of such schools in the state—69 out of 85.

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By the 2016-17 school year, the Achievement School district managed directly or via charters 29 Memphis schools serving 13,000 students.

The law also allowed school districts to try out their own reform initiatives with flexibility from the state’s K-12 policies. As a result, Shelby County Schools exercised its option to create a homegrown turnaround plan by launching the Innovation Zone (iZone) in 2012 to improve a group of underperforming schools. The iZone set its sights similar to the Achievement School District—moving schools from the bottom 5 percent to the top 25 percent in the state and ensuring that all students graduate ready for college and career. The school board appointed a regional superintendent, Sharon Griffin, to oversee the iZone. Griffin, a successful turnaround principal, empowered iZone principals to pick their teachers, and she created a high-quality coaching model to support them. “My expectation is I don’t want to just play; I want to win,” explained Griffin. “And if I’m going to hold that much responsibility and accountability on principals, I’ve got to give them the chance to choose their own teams and pick every single teacher.” By the 2016-17 school year, the iZone had grown to 21 schools.

Jim Boyd, executive director of the Pyramid Peak Foundation, saw promise in the iZone but remained cautious based on the rise and fall of other reform efforts over the years. “We wanted to see the will of the district to be a true partner,” Boyd said. “It took a while and several conversations with Superintendent Dorsey Hopson pushing us and our pushing back to get to a place where were able to reach an agreement about how we would fund this and work together.”

Boyd recognized that success required committed and capable leaders plus a track record of effectiveness and sustainability. To lay the groundwork for a potential larger investment, the Memphis Funder Collaborative provided modest financial support for the iZone’s leaders to develop a strategic plan. They also provided funding for improved recruitment and development for high-quality principals and teachers. They believed that it would take time for the district to build its capacity and knew it needed support to do so. Boyd explained: “We began to work with the district on a focused basis, exploring investments in specific areas that would not get lost in the district’s general budget.” Such investments, the funders believed, would help to provide the footing the iZone needed to demonstrate its full potential. For its part, the school board ensured that the iZone wouldn’t falter when federal School Improvement Grant funding ran out in 2016. It allocated local funds to make up for the shortfall. Moreover, the school board consistently demonstrated its commitment to the iZone, including the promotion of Griffin to the district’s No. 2 position, chief of schools.

Three years after launch, an outside evaluation of the iZone produced encouraging results. In a 2015 study by Vanderbilt University, several of the iZone schools were on track to become top 25 percent schools, with many more posting annual double-digit gains in reading and math.

Student performance, buttressed by ongoing school board support, convinced Boyd that the effort merited foundation investment. In 2016, Pyramid Peak and other Memphis
funders committed more than $10 million over three years to expand and sustain the iZone. “We had seen some success in schools that had been incorporated into the iZone, and based on our observation of those schools and objective data on their performance, we were able to feel comfortable in making that additional investment,” said Boyd. It was an unprecedented commitment to Shelby County Schools given the recent history of local and national funders supporting Memphis charter schools.

While the Memphis funders showed patience before committing significant resources, they weren’t passive. They continued to advocate at the state level to ensure that the state policy remained in effect. And they laid out certain “eligibility” requirements that the iZone needed to achieve to merit substantial funding, including real improvement in student learning. It’s an approach other funders might take as well. In our experience, such signals of what could merit significant investment can be quite helpful to district leaders. The requirements funders specify may be difficult for the district to implement, and may take considerable time. But reform initiatives that meet the guidelines are much more likely to result in meaningful improvement in student outcomes.

**Work with the district or other partners to design a high-impact investment**

Districts don’t typically design reform initiatives in a way that funders find attractive. In our experience, funders want a clear “investable entity”—a dedicated team within the district or a third party—that prevents their funds from disappearing into the school district’s operating budget. They also expect to invest for a limited period of time during which the reforms take root and do not require sustained philanthropic support. This allows the funder to exit as planned without jeopardizing the initiative.

These are the key criteria followed by The Mind Trust, an Indianapolis nonprofit that over the past decade has raised more than $73 million to bring innovative ideas to the city’s schools but only recently ventured into district-led school reform. The Mind Trust was founded in 2006 as a city-based education nonprofit dedicated to growing the number of high-quality schools in Indianapolis, a goal shared by most local donors. Charters now serve over 35 percent of the roughly 45,000 students who live within the Indianapolis Public Schools (IPS) boundaries.

Meanwhile, many of the district’s schools consistently got D or F rankings from the state. In this context, the Mind Trust released a 150-page report, *Creating Opportunity Schools: A Bold Plan to Transform Indianapolis Public Schools*, in December 2011 that called for increasing autonomy for all IPS schools to mirror the autonomy that had enabled many of the city’s charters to thrive. According to David Harris, CEO and founder of the Mind Trust, “We knew that we would only improve outcomes if the right conditions were in place—and this report created the right conversations in the Indianapolis community for the state and district to start to shape those conditions.” While initially met with skepticism, the report eventually helped spur the district’s board and superintendent to embrace many of the reforms The Mind Trust espoused in its report.
That community support set the stage for the state legislature in 2014 to pass the law that gives school districts authority to create Innovation Network Schools. Such schools operate with the autonomy to make decisions about all aspects of their school—both academic and operational—but they are held accountable by the school district for agreed upon student outcomes. Nonprofits manage the schools under contract with the school district that guarantees such autonomies and stipulates clear expectations for student outcomes.

The new law gave The Mind Trust the green light to “work collaboratively with the district to grow the number of schools that have the key conditions for success—true autonomy, outstanding talent, and public accountability,” said Brandon Brown, senior vice president of Education Innovation. To that end, The Mind Trust joined with the Indianapolis Public Schools and the Indianapolis Mayor’s Office to create the Innovation School Fellowship, an incubator for Innovation Network Schools. Fellows have the unprecedented opportunity to launch schools that have the required freedoms and flexibilities, and the financial support and services of a district school, including a school building at little to no cost.  

The Mind Trust has worked with IPS to select four cohorts of Innovation School Fellows who have gone on to develop 10 Innovation Network Schools, with eight more in the pipeline. Many of the city’s leading charter operators have agreed take advantage of the Innovation School Fellowship to restart some of the district’s low-performing schools as Innovation Network Schools. “This type of charter-district collaboration would have been unfathomable just a few years ago,” said Brown.

Early results are promising: enrollment at Innovation Network Schools is up and early academic indicators demonstrate strong academic growth.

The Mind Trust carefully structures its support to meet the unique needs of each school it incubates. It funds planning fellowships for the schools’ leaders, and it provides start-up funding to help pay for items associated with a school’s launch. Afterwards, The Mind Trust expects that schools sustain themselves on per-pupil funding from the state. Thus, The Mind Trust’s support for an “accountable entity” provides a catalytic investment that is time limited.

By directing its support directly to individual Innovation Network Schools, its investments avoid getting commingled with the school district’s operating budget. “Our investments are directed toward talented operators and individuals that agree to launch schools with the key conditions for success,” said Brown.

**Start small with the potential for multiple investments to accelerate what works**

Fixing a failing school is one of the hardest jobs in public education. Fixing multiple schools is even harder. So a measure of caution is in order whenever an opportunity to fund a turnaround effort presents itself. Start small, measure results, and make additional investments when promising results merit continued support. New investments can help to scale up a successful initiative and accelerate overall results.

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Each of the innovation zone funders we have profiled took this approach to heart.

In Memphis, the Pyramid Peak Foundation chipped in a modest amount to get iZone planning under way. This early support opened the door for Jim Boyd to stay in touch with school officials as the iZone took shape, to get regular updates, and to wait for results. Once early results showed promising advances in student outcomes, Boyd felt confident enough to champion a significant investment to support and expand the iZone.

The Gates Family Foundation in Denver is in the early stages of evaluating year one of its investment in the four innovation zone schools comprising the Luminary Learning Network. “We’re excited about this opportunity, but we have much to learn about what it takes to deliver success,” said Seawell, the foundation’s senior vice president for education. The foundation is committed to two years of launch support. A positive showing for the innovation zone schools would encourage the foundation to support additional school launches.

In Indianapolis, The Mind Trust views its investments in Innovation Network Schools as first steps toward more such investments, provided the innovation schools show real progress. “The district continues to build its internal infrastructure to lead this [Innovation Network Schools] work, and we see our role as providing extra capacity to ensure the initiative’s success,” said Brown, senior vice president of Education Innovation. He holds open the possibility that The Mind Trust will help IPS raise funds to manage the central office’s transition from a traditionally run district to one that manages a portfolio of autonomous schools. “Our goal is to fundamentally change the way that the district operates,” said Harris of the Mind Trust. “The district controls the resources needed to realize improved outcomes for kids across the city,” he added.

For all three funders, starting small is a sensible beginning that could lead to greater financial involvement with their respective school districts. If early investments yield desired results, such innovation zones could be a powerful platform to increase the impact of complementary investments such as replication efforts, principal and teacher talent development, the provision of out-of-school-time supports, and even neighborhood revitalization efforts. The Gates Family Foundation is exploring supporting other such innovation zones within Denver Public Schools and across the state of Colorado. The Mind Trust recently made an investment to support IPS’ commitment to attract and retain talented school leaders and teachers. Finally, the Pyramid Peak Foundation is considering community revitalization investments in select neighborhoods served by iZone schools.

A promising investment for reform-minded funders

Our recent survey of Philanthropy Roundtable members revealed both broad support for improving the quality of public schools and a lack of funder confidence in school districts’ ability to implement credible turnaround efforts. As one respondent put it: “As a matter of policy, we would not fund a school district directly. There is no way to be certain that dollars add value for the intended purpose rather than just replacing dollars reallocated to other purposes.”

The new wave of school district innovation zones has the potential to inspire funders to take a fresh look at investing in school district reform efforts. Optimism seems warranted
since innovation zones address the two things that funders say would make them support school district turnaround initiatives: demonstrated improvement in student achievement and greater school autonomy.

No doubt, the philanthropic community will watch with interest as large investments by generous funders in Denver, Indianapolis, and Memphis play out over the next several years. If those investments pay off in significant improvements in student outcomes, other funders will have reason to follow suit and cautiously place bets on equally promising district improvement efforts.

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