CRC CAPITAL RESEARCH CENTER

Foundation Watch

Reform-Minded Money

By RiShawn Biddle

Summary*: The Bill and Melinda Gates Foundation has become the most prominent advocate for changing how children are educated in America's public schools. Its school reform agenda, the zeal of co-founders Bill and Melinda Gates, and a willingness to abandon ineffective strategies, has helped make the Gates Foundation a major foe of the teacher unions—the National Education Association and the American Federation of Teachers—their allies in the education establishment, and among traditional Democrats. But the Gates Foundation must take care to avoid the pitfalls that have befallen earlier generations of school reformers.*

Even among such big names as the Carnegie Corporation and the William and Flora Hewlett Foundation, the Bill & Melinda Gates Foundation is the rock star of education philanthropy. From its big philanthropic bets on school reform to its headline-grabbing conferences featuring splashy announcements and appearances by its software billionaire namesake and his wife, the Gates Foundation attracts attention even from reporters who generally stay off the education beat. One gambit – a Gates campaign called "Get Schooled" – features a documentary on education reform featuring President Barack Obama that was nationally broadcast in September on Viacom-owned television and cable networks. The program was marked by "screening parties" and local discussions sponsored by AT&T, a national conference for 1,000 participants on the Paramount Studios lot, and additional sponsorship by NYSE Euronext and Capital One.

The foundation's willingness to bet the bank on its plans – including $3 billion over the next five years alone – attracts praise from even the most skeptical of education players. It gained particular notice in November 2008 when it announced an initiative to spend several hundred million dollars to increase college completion rates at America's universities, a pet issue for many education and business leaders. "The Gates foundation could become the most powerful force in American education in the years to come," gushed Arthur Levine, the former president of Columbia University's Teachers College, who has gone from being one of the most-august defenders of traditional public education to one of the nation's foremost reformers.

Bill and Melinda Gates

But some are not convinced. From the bastions of traditional public education—the National Education Association (NEA), the American Federation of Teachers (AFT), the university-level schools of education that dominate teacher training, and the public school superintendents—the alarm has sounded: the Gates Foundation engages in "misinformation campaigns," and wants to "effectively cripple public control" of schools.

Two years ago the National Commission on Skills in the Workplace, a Gates Foundation-funded panel, released a series of recommendations for improving schools that provoked harsh criticism. Steven Miller and Jack Gerson of the NEA's Oakland affiliate accused the commission and the foundation of proposing policies that would end up "effectively terminating the right to a public education, as we have known it." Phi Delta Kappan writer Gerald Bracey, whose eponymous annual report is among the most-widely read by public school traditionalists, accused the Gates Foundation and its allies of "fear mongering" and orchestrating an "effort to lay blame for societal problems at the feet of the schools."

Why has the Gates Foundation stirred so much attention and outrage? The world's largest foundation's dedicates most of its $30 billion endowment to international causes with a focus on disease cures and prevention such as eradicating malaria in

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developing countries. (Bill Gates caused a stir earlier this year when he released a jar of mosquitoes during one of his speeches.) But the more than $4 billion the foundation has spent on education initiatives within this decade makes it the single-largest player in education philanthropy. In 2005 alone, the foundation ladled out $242 million on education, four times more than the Walton Foundation, another prominent giver to education reform.

Through those donations and its own proclamations, the Gates Foundation has boldly stepped into some of the most controversial debates on the direction of American public education. The foundation has been explicit that it wants to change how children are educated in public schools. Declared Gates last year: "Every student is capable of a college-ready curriculum; that has to be the standard everywhere."

Subject-Knowledge Competency

The Gates Foundation has been a prominent opponent of traditional public education, which produces teachers, principals and researchers who are steeped in the instructional theory (or "pedagogy") of academic schools of education, but lack the subject-knowledge competency needed to teach children. Gates is the prime benefactor of the teacher quality movement, a branch of the school reform movement that believes successful academic instruction depends not on theory, but on subject-knowledge. Teacher quality advocates have long sparred with education school leaders and teachers' unions over the kind of methods and incentives needed to recruit, retain, and spur successful teachers – and replace bad teachers.

Since 2006, the Gates Foundation has donated $14 million to teacher quality advocates such as the National Council on Teacher Quality (NCTQ), the foremost proponent for requiring subject-knowledge competency as a condition of teacher licensing, and Teach for America, the New York-based teacher training nonprofit whose famed alumni includes Michael Feinberg and Dave Levin, the cofounders of the successful KIPP chain of charter schools. Another prominent beneficiary of Gates Foundation money is the New Teacher Project, the Brooklyn, N.Y., nonprofit whose founder, Michelle Rhee, now oversees the overhaul of Washington, D.C.'s public schools. (Teach for America was examined in the February 2008 *Organization Trends*. Michelle Rhee was profiled in the January 2009 *Labor Watch*.)

Standards and Accountability

Since 2003, the Gates Foundation has given $61 million to key proponents of the standards and accountability movement, the driving force behind the passage of the No Child Left Behind Act and its prescription of standardized tests, strict curriculum standards, school choice options and real consequences. This includes Achieve Inc., whose American Diploma Project has successfully advocated for more-rigorous high school graduation requirements, the Thomas B. Fordham Institute (the leading think tank among conservative school reformers), the Education Trust (a pioneer in addressing urban school failure) and the Education Sector, whose co-founder, former Democratic Leadership Council analyst Andrew Rotherham, publishes the widely-read Eduwonk blog. (The No Child Left Behind Act was examined in the June 2007 *Foundation Watch*.)

As one would expect from a prime backer of these reformers, the Gates Foundation closely scrutinizes its own giving. Last year, it abandoned Strong American Schools, a high-profile effort to foster debate about education during the 2008 presidential elections. The foundation also admits that its earliest high-profile reform initiative – an attempt to revamp the curriculum and architecture of urban high schools – has yielded few long-lasting results. Said Bill Gates last year in Fortune: "We had a high hope that just by changing the structure, we'd do something dramatic. But it's nowhere near enough."

If the Gates Foundation and its grantees succeed, it will transform how America's children are educated. It will change how teachers are trained and compensated, no matter whether they are trained at ed schools or alternative training programs. It may even serve as a model for how philanthropic foundations should hold themselves accountable for the success and failure of their own initiatives.

Big Dollars, Failed Dreams

Only a handful of philanthropists have succeeded in making a real difference in American education. One was Julius Rosenwald, who built Sears, Roebuck and Co. into a retailing giant, and then improved the education of blacks in the South by supporting the construction of more than 5,000 schools and building the endowments of historically black colleges such as Tuskegee University. Rosenwald did not believe foundations should live forever, which is why he is little known today. But before he died in 1932 his foundation created a lasting legacy by supporting the education of hundreds of thousands of black students.

For the most part, however, education reform has long been a sector in which ambitious philanthropic efforts fall apart. In the 1950s and 1960s, the Ford Foundation poured more than $80 million into reform efforts such as the Comprehensive School Improvement Program. The efforts attracted the opposition of teachers' unions, prompted congressional investigations, and led to accusations that the program was "fostering domestic subversion." The political outcry over Ford Foundation philanthropy also played a role in the increased federal regulation (and statutory definition) of foundation grantmaking embodied in the Tax Reform Act of 1969. Another disappointing effort was the Annenberg Challenge, which gave away $500 million in so-called "challenge" grants to 14

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of the nation's largest public school districts and 700 rural public schools to little effect. The Annenberg Foundation may be better known for its grants to Illinois education professor Bill Ayers, the co-founder of the violent Weather Underground and friend of fellow Chicagoan Barack Obama, than for any long-lasting gains in student achievement.

School reform was the last thing on Bill Gates's mind in 1994, when he and his wife Melinda used $94 million in Microsoft stock to start two foundations. The goals were modest: The couple wanted to improve public health in developing countries and distribute computers to public libraries in his hometown of Seattle and surrounding communities. Four years later, the foundations moved into education by donating to groups promoting online teacher training.

In 1999, the foundation stepped up its education philanthropy by contributing $79 million to groups engaged in online teacher training and by creating the Gates Millennium college scholarship program for high-achieving poor children**.** It took a more important step when it hired Tom Vander Ark, a former school superintendent. The Gateses subsequently merged their two foundations to form the Gates Foundation—and added $20 billion to their endowment. By this point Vander Ark had convinced the couple to focus on education reform. He said their giving should be driven by a simple premise: Poorly-educated students could not be full participants in a knowledge-based economy.

The Gates Foundation wasn't alone in its thinking. Starting in the 1970s, governors and chambers of commerce in Southern states such as Tennessee, alarmed at the lack of well-educated workers, worked to reform public schools by promoting curriculum standards, textbook requirements and testing regimes. This push accelerated after the 1983 release of the groundbreaking report, *A Nation At Risk*. By 1986, some 250 state panels were formed to work on school reform. The work of these panels paved the way for a string of accountability measures, including passage of the No Child Left Behind Act in 2001.

The Gates Foundation then made the decision to focus on reforming the nation's urban high schools after consulting a kitchen cabinet of experts that included future Obama adviser Linda Darling-Hammond and traditional education guru Ted Sizer. Taking note of the large numbers of high school dropouts, it seemed clear to the foundation that changing the structure of high schools would help solve the problem of academic underachievement. The solution? Break down existing high schools into smaller, more intimate schools (fewer than 400 students) and provide the kind of college preparatory curricula available at private schools. There had been a few initiatives of this type but not enough to create the kind of critical mass needed to spark changes among traditional public high school districts. Essentially, the Gates Foundation wanted to fill a perceived market in the same way that Microsoft had once promoted software.

Small Schools, Big Spenders

Starting in 2001, the foundation began funding what it called Small Schools. The initiative began in school districts in its Washington State home base, and then expanded to San Diego, where it funded High Tech High, a chain of charter schools where students augment their core math and science courses with internships. By 2003, the Gates Foundation had ladled out grants to nearly 40 school districts, including New York City's Department of Education, the nation's largest school system.

Small Schools was embraced by reform-minded school superintendents, who were often brought in to improve classroom performance. For example, the Gates Foundation gave an $11 million grant to California's second-largest school district, San Diego Unified, whose maverick superintendent, Alan Bersin, was in a dispute with the local NEA affiliate over improving classroom instruction. Gates Foundation money was also instrumental in giving cover to superintendents whose districts were failing academically. One particular grantee was Indianapolis Public Schools – Indiana's largest school system. Its superintendent, Duncan "Pat" Pritchett, had to fight off state officials, chambers of commerce and reports from national groups that said the district was home to the nation's worst concentration of "dropout factories," i.e., high schools with graduation rates below 60%.

The foundation took a different approach to monitoring the progress of its donations. Instead of developing obtuse measurements that directly linked grant donations to performance, it used longitudinal (or year-to-year) assessments of test scores, graduation rates, college completion formulas and student satisfaction surveys. It also formed the Washington Schools Research Center, which conducted on-site surveys, and it invited the Stanford Research Institutes and the American Institutes for Research, two of the leading centers for objective school assessment, to monitor school performance.

The foundation also became more media savvy. Gates Foundation executives realized that their greatest media assets—Bill and Melinda Gates—could become imposing advocates for an education reform agenda. The move was also opportunistic: By 2005, the nation's high school dropout crisis was attracting notice. Research spurred by the No Child Left Behind Act's testing and data requirements, along with reports by media outlets such as the Indianapolis Star and the Denver Post were highlighting the problem. Gates bucked the reticence of other prominent education funders such as the Lilly Endowment and Ford Foundation and stood front-and-center on behalf of its initiatives.

In 2005, the foundation hosted a conference on high school reform at which Bill Gates proclaimed that America's high schools were not only "obsolete," but "cannot teach our kids what they need to know today." A year later, the Foundation collaborated with talk show host Oprah Winfrey and Time magazine to produce and promote a package of reports dramatizing student underachievement.

All this activity created a backlash. More traditional elements within public education accused the foundation of dictating reform and failing to consult with parents groups, teachers' union locals, school officials and other constituents. Paul Houston, then-director of the American Association of School Administrators, accused the Gates Foundation of engaging in "amateur school reform" with "nonprofessionals making the decisions about the directions we should go."

By 2008, the Gates Foundation had donated $2 billion to start or revamp 2,602 high schools. There were some positive results.

High Tech High, for example, dazzled school reformers and traditionalists alike with its success in turning underachieving freshmen into high school and college graduates. In New York City, 47 new high schools had graduation rates of 70%, double that of the schools they replaced.

But regrettably, Small Schools was for the most part as much a failure as earlier philanthropic-driven reforms. The foundation admitted in a rather candid report it released last year: "*We have not seen dramatic improvements in overall student achievement or corresponding increases in the number of students who leave high school adequately prepared to…complete a two- or four-year postsecondary degree*."

This kind of candor is rare among philanthropies, especially among donors and advocates in education policy. As legendary education scholar – and Gates Foundation critic – Diane Ravitch noted in her own assessment of the effort: "Most proponents of education reform defend their ideas against all critics regardless of what evaluations show."

Gates Changes Course

This lack of success, along with Vander Ark's departure from the foundation for a short stint at the X Prize Foundation, led the Gates Foundation to reflect on what went wrong.

For one thing, the foundation learned that school districts weren't going to follow through on these initiatives. They were often slow to change and tolerant of mediocrity. Entrenched stakeholders such as teachers unions also had little incentive to support school overhauls. Reform-minded superintendents often wore out their welcome after two or three years and they lacked political constituencies for long-term support. In San Diego, Bersin was ousted two years after the district received its grant. Indianapolis Public Schools' effort dissipated after Pritchett retired.

The Gates Foundation also learned that fixing high schools alone wasn't enough. Research shows that students become dropouts in spirit long before they reach high school. A sixth-grader with failing grades in math courses and missing more than 20 days of school has just a one-in-four chance of graduating with a diploma, according to Johns Hopkins University researcher Robert Balfanz. Even if the students graduate, they aren't likely to have the math and reading skills needed to attend or complete college.

One culprit is the low quality of instruction in the nation's classrooms. By 2006, research suggested that teacher performance was a greater influence on student achievement than a student's socioeconomic background. But many teachers leave schools of education without adequate subject-knowledge competency. Just 13% of 77 education schools surveyed by the National Council on Teacher Quality last year had high quality math instruction programs. Moreover, the NEA and AFT have successfully worked at the state and local levels to insulate the teaching profession from performance management, so there are few options for firing poor instructors.

The foundation also learned that state-level curriculum and graduation standards are too low. Far too often, most states grant numerous opportunities and loopholes for schools to send students on to college and into the workforce without adequate academic preparation. Just eight of the 26 states currently offering or rolling out exit exams require students to actually pass the tests in order to graduate, according to a 2007 report by the Center on Education Policy, a Washington, D.C.-based centrist think tank.

So the Gates Foundation charted a different course for its education philanthropy. It brought in new executives, including Vicki Phillips, a former superintendent of the Portland, Ore., school district, who now oversees all education giving. It also focused its giving on improving teacher quality, advocating for more-rigorous curriculum standards and improving student preparation for college success.

It increased its contributions to Achieve Inc., a grantee with a record of success. Starting in 2001, when the Gates Foundation gave the organization its first grant, Achieve has transformed how it consults with states on ways to implement rigorous achievement standards. Between 2005 and 2009, Gates grants to Achieve Inc. for consulting work increased from $2 million to $13 million. In Indiana, for example, Achieve helped the Education Roundtable, an appointed body of school reformers, successfully enact more rigorous math and reading standards and overhaul its high school graduation test.

The Gates Foundation also became a sponsor of NCTQ, whose charismatic, coffee-swilling president, Kate Walsh, has sparred with ed school deans and teachers union bosses alike. Since 2005, the foundation has donated $1.7 million to NCTQ's Teachers Rules, Roles and Rights project. It includes a database on the sweet deals contained in teacher union contracts, and the addition of new staff to help parent groups and other stakeholders reshape contract negotiations between school districts and teachers unions.

By 2007, the foundation was a prime backer of Teach for America, which has spent the past two decades challenging education schools by developing alternative training regimes that prepare aspiring teachers for work in the nation's toughest urban classrooms. Gates Foundation also gave $2.5 million to the New Teacher Project, which is helping 25 school districts develop alternative teacher training programs and hiring policies that favor performance measurement over the traditional union-supported seniority system.

Media Savvy and Public Advocacy

The Gates Foundation has decided to become even more public in its advocacy. This has meant capitalizing on the reputation of Bill Gates, who began spending more time with the foundation last year after retiring as Microsoft's chairman. It also means sparring with public education traditionalists, who have long proclaimed the foundation's strong support of No Child Left Behind and other accountability efforts as proof that education reform is just another name for "corporate control" of schools.

The foundation is making its giving more transparent by developing a searchable database of its grants over the past decade. On its website, the foundation offers reports on the progress of donations and initiatives, giving its activities either grand praise or unsparing criticism. The foundation also surveys grantees about its responsiveness to their concerns.

It has teamed up with the Eli and Edythe Broad Foundation – an equally vocal sup-

porter of school reform – and poured $16 million into Strong American Schools. Run by former Colorado governor and Los Angeles school superintendent Roy Romer, the group's "ED in '08" campaign tried to stir up debate between Republican and Democratic candidates about school reform. The campaign faltered as concerns about the recession and the war in Iraq took center stage.

The Gates Foundation is also trying to arrange "product placement" deals, the sort of activity normally reserved for consumer products companies. It struck a deal with Viacom, the parent of Nickelodeon, MTV and Black Entertainment Television, in which the foundation will work with the network on placing school reform messages in television show episodes and developing school reform documentaries.

Meanwhile the foundation is finding success in funding state-level support for – and media coverage of – education reform initiatives. Since 2003, it has donated $6.7 million to the Aspen Institute, the influential (liberal) think tank run by former Time editor Walter Isaacson, to fund panels on discussing the benefits of the No Child act. On behalf of the Gates Foundation, Aspen also hosts conferences that feature Washington D.C. schools chancellor Michelle Rhee and other prominent school reformers, many of whom have received Gates's largesse.

The Gates Foundation also supports Race to the Top, President Obama's initiative to require states to expand school choice by increasing the number of public charter schools and develop more rigorous curriculum standards. It funds consultants who will work with reform-minded governors and legislators on meeting these requirements.

The foundation is convinced that reform won't occur unless people are aware of the troubles of American public schools. Since 2005, for example, it has donated $4.6 million to Editorial Projects In Education, the nonprofit that publishes Education Week, the primary national news outlet covering public education. With Gates Foundation support, Education Week produces the annual Diplomas Count survey of high school graduation rates and academic achievement. Education Week is renowned for its objectivity, but taking Gates money exposes the magazine to charges that it's promoting Gates propaganda.

Perhaps in an effort to preempt its opponents, Gates Foundation even tossed $250,000 to the AFT in April for an initiative to encourage "bold education reforms." But, as Education Sector's Andrew Rotherham points out, there should be "healthy skepticism" about whether any union-sponsored efforts will pan out. The unions, after all, have proven as skillful at co-opting reformers as at insulating the teaching profession from accountability.

Inside Players – Or Working Outside

The reality is that no amount of education philanthropy will be enough to change public education. As school reformer and Manhattan Institute researcher Jay Greene has pointed out, education philanthropy spending is mere "buckets in the sea" compared to the $500 billion spent annually on schools by federal, state and local governments. Teachers' unions, with their ample campaign war chests and their millions of teachers and supportive parents, can still thwart any reform initiative.

Another fact: The most successful school reform philanthropists have preferred to buck the system altogether rather than focus their giving on reforming public education. The late Donald Fisher, co-founder of the Gap retail chain, and his children spurred the rise of the charter school movement by funding Teach for America and the KIPP schools, where Fisher was chairman of the board. And now-deceased Wal-Mart heir John Walton and financier Ted Forstmann have backed the Children's Scholarship Fund, which has provided private school vouchers to improve the educational – and economic – prospects of more than 109,000 poor children.

The size and scope of Gates Foundation efforts creates an additional problem. There is the danger that it will become distracted by other worthy education reform initiatives. This year it is embarking on the reform of community colleges, the two-year higher education institutions that account for 46% of the nation's undergraduate enrollment. Whatever its merits, the reform effort could take the foundation's attention away from its K-12 programs.

Ultimately, the success or failure of the Gates Foundation's education reforms may depend on its willingness to endure public debate and continually reassess its philanthropy. But the world's largest foundation is trying and it may yet reshape both public education and philanthropy.

RiShawn Biddle, editor of Dropout Nation and contributor to the American Spectator, profiled education reformer Michelle Rhee in the January 2009 edition of Capital Research Center's Labor Watch.

RiShawn Biddle

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Many thanks.

Terrence Scanlon
President

PhilanthropyNotes

Nike, the shoe company, has given up its seat on the **U.S. Chamber of Commerce** to protest the Chamber's opposition to federal climate change regulations, reports **Tim Carney** of the Washington Examiner. "More than most companies, Nike seems to be acting from true conviction on this issue," Carney writes. He adds that it's especially easy for Nike to take this position because it "won't bear most of the costs" of the cap-and-trade carbon control scheme because most of its goods are manufactured in countries with weak environmental laws.

Pacific Gas & Electric, **PNM**, and **Exelon** also quit the U.S. Chamber of Commerce to protest the trade association's policies on global warming. Said Exelon CEO John Rowe, "The carbon-based free lunch is over."

President **Obama** said he will nominate **Patrick Corvington** to be chief executive of the **Corporation for National and Community Service**, which oversees **Senior Corps**, **AmeriCorps**, and **Learn and Serve America**. Although the charity Corvington now works for, **Annie E. Casey Foundation** of Baltimore, Maryland, has granted funding to ACORN during his tenure, it is unclear if Corvington has ties to ACORN. Nonetheless, Corvington is part of the same cluster of organizations that provides financial and other support for ACORN which is a longtime fixture in the activist community.

A legal defense fund has been established for **Hannah Giles**, a young conservative activist who portrayed a prostitute in the undercover sting videos in which ACORN employees gave advice on the finer points of lawbreaking. In the videos ACORN workers were shown offering advice on how to evade taxes, establish an underage illegal alien sex slave ring, and seek government grants under false pretences. The website is **DefendHannahGiles.com**.

Goldman Sachs WATCH

Goldman Sachs is considering ways to combat a public backlash over expected record year-end bonuses for its executives, Bloomberg reports. It is working with the Bridgespan Group, a nonprofit consulting firm, on a $1-billion philanthropic plan. A company spokesman was reported saying Goldman is "highly sensitized to the political issues associated with compensation … in the current environment" but will put off making decisions on giving until year's end.

At a breakfast hosted by Fortune magazine Fortune editor Andy Serwer told Goldman CEO Lloyd Blankfein that he had been conducting a "charm offensive" lately. "This is not a calculation," Blankfein joked. "Charm just pours out." The unspoken subtext of Blankfein's talk was, What's good for Goldman Sachs is good for America, Time magazine's blog reported.