

THE CHRONICLE OF PHILANTHROPY®

The Newspaper of the Nonprofit World

Volume XXII, No. 12 • May 6, 2010

OPINION

Federal Windfall for Education Must Spur Grant Makers to Act and Innovate

By JONATHAN SCHORR
and APRIL CHOU

Over the coming months, the federal government will take unprecedented steps to foster innovation in education and other areas that affect the lives of people in low-income neighborhoods. The goal of those efforts is to bring effective new ideas to the places where they are needed most urgently.

The flow of new government money will have an additional significant effect: a jolt of demand for rapid action by private grant makers.

The push for innovation represents the culmination of a campaign-trail promise that President Obama made to foster the growth of promising entrepreneurial nonprofit efforts to help solve social problems. The largest and best-known of the new efforts is the Investing in Innovation (or “i3”) Fund at the Department of Education, to which the administration has allotted \$650-million in federal stimulus money and is requesting \$500-million more in the 2011 budget.

Other projects to spur innovation included in the president’s budget request are a \$950-million Teacher and Leader Innovation Fund and \$210-million for Promise Neighborhoods, a program inspired by the Harlem Children’s Zone. In addition, the president has requested a small increase for the recently created Social Innovation Fund, currently supported by \$50-million, which seeks to expand nonprofit organizations offering effective solutions to social problems.

All of this current and potential government support blends a belief in the power of innovation with a strong commitment to accountability and a rigorous quest to understand and spread what works. Some of the applications for money are due in a few weeks, and crucial decisions on the winners of the grants competitions will be made in the coming months.

Yet if these federal efforts reflect a recognition of the role of innovation with accountability, a number of them also embody a second crucial belief: that innovation requires support from both government and philanthropy. That emphasis will put some knotty questions before grant makers in the weeks to come. (Full disclosure: Our organization, the NewSchools Venture Fund, is seeking federal innovation grants.)

As many grant makers already are aware, the Department of Education’s i3 Fund will require successful candidates to match 20 percent of a federal grant, and the Social Innovation Fund requires \$2 in matching for every \$1 in federal funds. It’s not hard to see the implications for requests to private grant makers.

Make no mistake: This money is badly needed, is overdue, and stands to do real good. The need for new ideas that will make positive change—the very definition of innovation—could not be clearer in low-income neighborhoods. Yet federal government, in the past, has failed to treat that need as the priority it should be.

The federal agencies devoted to our nation’s health, energy, and defense spend from 4 to 14 percent of their budgets on research and innovation. In education, federal spending on innovation at the close of the last administration represented just over 2 percent of that department’s budget. And even that was by the department’s own expansive and heavily earmarked definition, which included such “innovations” as a historic whaling museum and a program to teach traditional American history.

As an organization that has helped to guide the growth of innovation in education for a dozen years, NewSchools applauds the Obama administration’s muscular new emphasis on innovation and accountability. If the

The administration’s emphasis on partnerships and matching funds will force some rapid and complex decisions.

administration carries out these efforts wisely, it will bring crucial advances in a host of areas, including school design, ways to measure students success, college-readiness programs, and innovations in youth health and fitness. Yet for grant makers, the administration's emphasis on public-private partnerships and matching funds will force some rapid and complex decisions.

These are questions we at NewSchools have been thinking a lot about as we continue to raise money for and prepare to roll out our NewSchools Fund IV, which focuses on innovations that improve public schools in districts with large numbers of low-income families—specifically, in the areas of school design, recruiting and training of teachers and principals, and essential tools such as data systems to assess student learning and improve instruction. Based on that experience, we offer here some thoughts philanthropies may wish to consider in responding to the formidable call for private investment and matching funds for innovation.

For grant makers, the Obama administration's call to participate in this innovation push—and the price tag in the hundreds of millions of dollars—presents some tough questions. Even philanthropies that focus on entrepreneurial nonprofit groups in low-income areas may find their long-developed giving strategies swamped with requests for mammoth matching grants.

Moreover, philanthropic leaders may find themselves deciding to what extent to reorganize their giving around federal priorities, acting as a gatekeeper to federal funds by giving or withholding matches and acting on the government's timeline rather than their own.

Yet who would sit this dance out? It's an opportunity to participate in a national push that will multiply private dollars to support organizations doing proven good. The funds provide incentive for local agencies to participate, and the federal government is a ready-made national distribution network for the efforts that prove most effective.

However, even for those who agree with us that it makes sense to participate, it may not be straightforward to sort out the innovations that carry the most promise of impact. What to do? Here are five ideas for grant makers that want to know how to participate most effectively in the Obama administration's innovation push:

Focus on results, not the processes for achieving them. In making matching choices, look at organizations that set goals and demonstrate effectiveness in achieving their missions (students graduating from high school and college, reduced hospital visits) rather than by the methods they use for getting there (style of classroom instruction, number of minutes a nurse spends with each patient).

Create incentives for government agencies. The offer of a competitive grant is often an incentive to spur government agencies to do things that break with tradition and are politically hard, and they can create political “cover” for doing so. Use your money to encourage government agencies to overcome obstacles to improvements. For example, grants that include specific conditions for getting aid can help to break political deadlocks over labor agreements or partnerships with nonprofit organizations that promote change. When grant makers collaborate to offer funds with the same conditions, they will make even more of a difference.

Work in parallel with the Obama administration's priorities. In each area of innovation, the administration has specific goals. For instance, in education, the federal government wants to find new ways to improve standards for what students learn and how progress is assessed; the quality of teaching and school leadership; data systems; and improving the lowest-performing schools. With your matching grants, you can make this work more effective.

Do what government won't. At least initially, federal innovation efforts are avoiding risk, with the bulk of funds aimed at expansion of innovative projects that already have substantial evidence of effectiveness. That decision reflects caution with taxpayer money, a limitation that private grant makers don't face. Use your greater freedom to complement federal efforts by supporting innovative efforts that hold great promise but lie outside the government's eligibility limits, particularly fledgling organizations and ideas that lack a long track record.

Help spur growth by supporting operating costs. Identify organizations that are aligned with your giving strategies, and support them with general operating dollars rather than money earmarked for specific projects. This will help an organization develop a deeper bench of management and operating expertise that is critical to enabling the success it has with its clients and programs.

But perhaps the most important advice is this: Get involved. The president's call to accelerate innovation in education, poverty fighting, and other areas where it's so profoundly lacking offers a remarkable opportunity, and one that won't come around again soon. Support it in the way that works for your philosophy and strategy, but don't sit this one out.

Jonathan Schorr and April Chou are partners at NewSchools Venture Fund, a venture philanthropy organization that raises money for innovative efforts that improve public education in areas with large numbers of poor people.