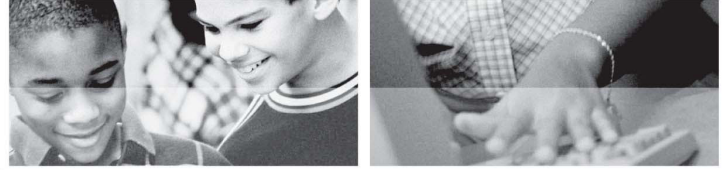


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NEWSCHOOLS VENTURE FUND SUMMIT 2001

March 2001



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The NewSchools Summit on February 1, 2001, brought together key leaders from business, the public sector, and the non-profit sector that are passionate about the power of entrepreneurs to improve our public schools.

Panels included:

1. Assessing Real Outcomes.
2. The Leadership Challenge in Public Education.
3. Roundtable Discussion: Charter Schools and Scale.
4. Roundtable Discussion with Senator John Kerry on the Federal Role in Public Education.
5. Venture Philanthropy in Education.
6. The Future of Public Education.

ASSESSING REAL OUTCOMES

Presenters:

- Tom Vander Ark, executive director, Bill and Melinda Gates Foundation
- Robert Schwartz, president, Achieve Inc.
- Larry Rosenstock, founder and president, High Tech High
- Charles Venegoni, Ph.D., teacher, John Hersey High School

Opening Comments: Tom Vander Ark

Vander Ark is developing a pilot program with 300 schools that are helping to create an online assessment. Online assessment allows rapid, frequent “testlets” to be used throughout the school year. This approach would help to move testing into the background, where he feels it belongs. Online testing would provide a continuous improvement and performance-monitoring system, enabling teachers to instantly diagnose learning and combine that information with classroom-based evidence and shared performance tasks.

According to Vander Ark, we have just lived through the most significant public policy shift in American history. Over the last decade, 49 states lined up and enacted roughly the same set of educational policies around a new paradigm of standards, assessments, and accountability. Many people would argue that the new paradigm is about to crack. In fact, the Bush proposal to test every student every year may put us at a fork in the road.

Panel Discussion

RS: The standards, assessments, and accountability movement has developed with extraordinary rapidity. Five years ago, there were only 14 states with explicit academic standards in place in at least four subjects and three grade levels. Now there are 49. One of the big questions, considering the speed of this development, is whether the public will be patient and supportive through the time it will take to make this model work for the kids who most need high-performing schools.

Achieve was created to give a close and careful, tough-minded look at the quality of states’ standards and tests, measured against the best examples from around the nation and the world. Achieve also considers the alignment between the two, marking the degree to which the individual state’s tests measure what they claim to value. Some states have recently invited Achieve to give feedback on teacher preparation policies, professional development, accountability, and public engagement programs. Schwartz considers it a positive sign that states are willing to ask for an independent critique. In evaluating the individual states, Achieve promotes resource sharing and collaboration among states. Together, states can determine a set of common expectations and a common assessment that is rich enough to guide instruction. Such a development would enable student performance comparisons across states.

The assessment issue has moved to the forefront of national discussion because of new consequences attached to statewide student, teacher, and school performances. Mr. Schwartz feels that the publicity and heightened discussion regarding accountability is positive, though he is concerned about the quality of the tests. If the tests and the standards do not align, and accountability is attached to the tests, the standards will be shoved aside. If the tests are relatively low-level, as many currently are, the quality of instruction will be driven down.

If the nation expects these tests to bear a heavy weight in terms of accountability, they need to be:

- Rich, measuring the full range of knowledge and skills.
- Patiently crafted, knowing that a quality product takes time to create.
- Worthy of being taught to, though not exclusively.
- Supported by a solid set of intermediate indicators of school progress.

If kids are going to face consequences related to test performance, there need to be multiple opportunities to take the test alongside appeals processes, waivers, and other forms of flexibility in the system. There should also be an intensive effort to provide additional support and intervention on behalf of students at risk of not meeting the standards. Support must come not just at the crucial point of consequences, but much earlier in the game. Furthermore, if standards are going to be the foundation for the design of assessment and accountability systems, it is critical to get the standards right. They need to be realistic, concentrating exclusively on the things that are most essential, while also considering what is manageable from an implementation perspective.

In Mr. Schwartz's opinion, a diverse educational delivery system with charters, choice, and competition needs to be standards-based. At the same time, if a constant set of standards is developed that will define what kids need to know, the delivery system will need to be diverse, allowing for many different pathways and strategies for encouraging student success. He feels teacher quality is key. None of the discussion about quality of assessment is going to matter without a long-term strategy to attract, prepare, support, and pay the teachers the system so desperately needs.

LR: Rosenstock sees three problems that frame the standards, assessments, and accountability debate: There is a conflict between choice and standards. In trying to differentiate and diversify, schools become more reliant upon standards, which in turn leads to standardization. Standards that lead to accountability and challenge have positive effects, but too frequently, they lead to the standardization of curriculum and teaching. There is not as much overlap between the taught, the learned, the tested, and the standardized as most people think. Outside programs, such as intensive testing efforts, cannot be inserted into a school without serious problems and struggles.

One of Rosenstock's great concerns regarding assessment tools is that they often serve to narrow our definition of achievement. High Tech High has developed a broad combination of assessment tools to self-regulate student performance levels. They have mapped to the University of California standards to guide curriculum choices, and every student maintains an online portfolio so that kids, teachers, and parents alike can measure performance throughout the learning process. As the students participate in project-based learning, the portfolios are filled with a large variety of work. Teachers use rubrics to measure outcomes and build a database to measure performance.

CV: Dr. Venegoni's primary goal is to eradicate heterogeneous learning outcomes across racial, ethnic, and financial lines. The alignment of standards with real learning entails four main steps:

1. Establish clear goals.
2. Develop a set of standards directly from those goals.
3. Create a delivery system that provides a conduit for those goals to reach students.
4. Determine accountability through quality assessment.

Venegoni believes that several problems inhibit system-wide standards, assessment, and accountability:

- The rhetoric used in school reform tends to cluster around the creation of workers' literacy.

- The civic purposes for education do not receive substantial recognition
- Education produces not only workers, but also the very people who live in and shape our society. There is not enough discussion about cultivating citizens with a shared body of knowledge.
- Many tests are directed at specific skills and are out of alignment with other tests.
- Most of the highest-performing systems in the world have national curriculums, while we typically balk at that idea.
- Our goals have not been closely evaluated, leading to lack of depth and richness.
- With increasing frequency, teachers themselves have not had the kind of uniform educational experience that would allow them to deliver a provided curriculum at a high level of performance.

Q&A

Q: What about teachers' unions and accountability?

RS: TURN is an organization that brings together a set of local union leaders to cut across the NEA and AFT. Those leaders see that the survival of unions turns on the question of whether or not they can reposition themselves in relation to the reform movement. Yes, unions can be a huge hurdle, but there are glimmers of optimism in some of the unions in some of our largest cities.

Q: At what level do we have the best chance of creating alignment between standards, assessment and accountability?

LR: At the school level.

RS: It needs to happen at every level, but because the states are the focal points, that is where it has to begin.

CV: At the professional level with classroom teachers and teachers who teach teachers. They are the implementers of the tests.

TVA: Schools are the only place where it is going to add up.

Q: What about test alignment?

CV: We have a Tower of Babel in assessment. We have so many tests that the degree to which they can measure anything that can be uniformly applied to other assessments is increasingly diminished.

RS: There have been attempts to develop partnerships between several states in designing assessment. They have generally failed for political reasons, but the climate is improving for such endeavors. One of the most important contributions of the standards movement has been to put the focus on student work. You cannot have a meaningful conversation without a common vocabulary and a common set of expectations. It encourages groups of teachers to come together to discuss student work. They are asking not only if that work is good enough to meet the standards, but also what combination of teacher materials and strategies elicited this kind of work. It is a sharing of best practices.

Q: How do we measure the amount of value added to students by specific teachers and schools?

RS: There are many potential abuses when the idea of value added is applied to individual teachers. The notion of looking at improvements both in terms of value added and the absolute performance of schools is essential.

What really matters in education is the quality of the teachers. The toughest political fight revolves around getting the best-qualified, best-prepared teachers in front of the students who need them the most.

Closing Thoughts: Tom Vander Ark
How do we de-politicize this discussion?

- Improve the quality of both standards and tests.
- Find ways to move testing into the background—make it part of teaching and learning as a continuous diagnostic feedback without the drama.
- Improve other forms of assessment and teacher abilities to assess in multiple ways.
- Build public information systems that help to inform public choices, involving a broader dashboard of indicators.

THE LEADERSHIP CHALLENGE IN PUBLIC EDUCATION

Presenters:

- Dan Katzir, director of program development, The Broad Foundation
- Stefan Pryor, executive director, Breakthrough for Learning
- Jon Schnur, chief executive officer and co-founder, New Leaders for New Schools
- Kendra Barr, principal, Aspire Public Schools

Opening Comments: **Dan Katzir** “Show me a good school, and I’ll show you a good principal.”

Mr. Katzir identifies five main challenges at the heart of the leadership issue:

- Where are we going to find the next generation of talented leaders? Will they be entrepreneurs, or managers from within the system?
- How will the role of authority be re-defined? Does it make sense to have one principal in charge of a school of 5,000 kids? Are there New Economy models of shared leadership that can be applied to schools?
- What kind of capacity-building issues are being confronted, given the number of people retiring from leadership positions? How can we re-invent and re-consider ways of training, mentoring, teaching, coaching, preparing and credentialing leaders?
- What kind of incentives are we providing our leaders?
- How are we showcasing and honoring success?

Panel Discussion

SP: Breakthrough arose as a result of substantial governance reform in New York City. For the first time, the Chancellor of Schools, Rudy Crew, was given real control over the constituent superintendents who ran the 32 community school districts. With the accountability of the new governance model, the question arose of what New York City ought to provide in terms of rewards, supports and services to schools in order to help them reach their goals and become more effective. Initially, two extremely low-performing districts were selected, and the necessary resources were assembled. The premise of Breakthrough’s approach was to drive change by solving the talent problem. Closing the performance gap would necessarily require closing the personnel gap.

Key to Breakthrough’s success was the relationship between the New York City Board of Education and the chamber of commerce, or New York City Partnership. Together, they sought to build a culture of performance by giving the districts a competitive advantage in hiring with unique benefits, rewards and resources. The private partnerships helped to build flexible funds that could be used in ways outside the Board of Education’s stifling procurement rules. Together, they worked towards building a network of strong leaders and then teachers who would have a community of support.

Breakthrough first redefined the standard approach to recruitment. They set out to develop both external and internal pipelines for new, strong leaders of schools. They offered principals a \$10,000 signing bonus and annual performance bonuses of up to \$15,000. Their business partners helped to provide discounted mortgages and

relocation loans. In addition, Breakthrough developed an executive-style management training program for the leaders they hired. In an era of principal shortages, Breakthrough's first search, exclusively covering the Northeast U.S., yielded 300 applicants for two districts.

While the deluge of applicants from outside the districts was crucial as an initial stopgap measure, Breakthrough realized that the ability to develop talent from within would provide long-term success. In conjunction with the local city university system, they developed coursework in leadership. Superintendents worked alongside university faculty to teach and grow the best teachers from the districts into leaders of the next wave. It became a principal's responsibility to ensure that there were qualified leaders behind him or her that would be capable of leading in the future. Breakthrough also created new performance-based positions in the district, such as master teacher, that could channel quality people into leadership roles.

The next important area of focus was support and retention. They knew that it was possible to recruit great people, but without a network for them, the principals would ultimately leave the district. Breakthrough started hosting monthly sessions at corporate headquarters for the new principals to be trained and helped. A mutually supportive community was formed, providing a forum for discussing challenges and solutions. Breakthrough also created a master principal program where the best leaders within the system were financially rewarded to lead and mentor others. Breakthrough principals were further supported with constant feedback and data that had been broken into key findings. The preliminary findings from the data were then discussed at the monthly sessions where solutions and remedies could be identified.

JS: Seeing firsthand the failure of the inner city schools in America drove Schnur to address the problem of urban public education at the federal level. Working under Secretary Riley, he observed three recurring themes that compelled him to start New Leaders:

Every school that was educating kids at a high level had an effective leader who brought together the parents, teachers, kids and the outside community around a clear, common mission of helping every student succeed.

Every principal that was succeeding had either been given or carved out some level of authority and autonomy for themselves to make decisions at the school level.

Every school that met the first two requirements had a community of people deeply committed to the common mission of making dramatic gains in learning for all kids. Within these communities, there was a commonly held belief in and a culture of success.

With those themes in mind, Schnur focused on how to create a pathway for the next generation of outstanding leaders in urban public schools. He developed a business plan at Harvard Business School, attracted funding from a variety of sources, and set out to create New Leaders' first corps in the summer of 2001 in Chicago and New York.

Realizing that most superintendents have not developed the necessary frameworks for identifying, attracting and supporting talent, New Leaders seeks to fill in the gaps. They start by systematically trying to identify future talent through networks of nominators. They find that principals, education schools, business schools and professional development organizations have rarely, if ever, been asked to point out potential leaders. New Leaders creates a program that will attract and keep outstanding talent. That program is based on the four key desires of leaders:

- A supportive community.
- Fellowships to pay for training.
- Training that is dynamic and relevant—full time residency for one year with an outstanding mentor principal alongside practice-based curriculum on management, instructional leadership and community change.

- Vision and support for their career futures.

KB: Growing up in Oakland, Ms. Barr saw firsthand the disparity of public school experiences. Two adjoining districts with different demographics could provide vastly different qualities of education. Inspired by a vision of creating equity in the system, she became a teacher and then an administrator who focused on moving beyond the limits. She talked to Don Shalvey of Aspire Public Schools and realized that he could help her realize her dreams and aspirations for bringing outstanding education to kids who traditionally don't get it.

For Barr, the key shift was to think not about reforming, but forming, and charter schools provided the vehicle for success. She developed a new approach to leadership that balanced the principles of education with those of business. As a traditional principal, most of the duties, schedules, systems and structures had already been in place, and it was up to her to select areas for change. Starting as a charter principal, she could evaluate each part of the position as it developed. Every move she made could be held against the goal of serving children better, and extraneous elements could be cut out. She then worked to create a culture of success within the community where all parties, from teachers to parents to students, were deeply committed to common goals.

Q&A

Q: Are you hiring natural leaders or trying to develop leadership?

JS: New Leaders first looks to develop leadership that is already there by making existing leaders better. Then, they work to identify potential leaders through careful screening. New Leaders is trying to create a model for developing future leaders with on-the-job mentoring and practice-based coursework. The courses focus upon relevant issues such as instructional leadership, operations, management and organizational change.

Q: Can the model of support that organizations like Aspire provide be transferred to the district model?

SP: It is essential at the district level that there be a system of support. Conventional districts need to ensure that the chief job of the superintendent is supporting the principals who will be driving change.

KB: When superintendents visit principals in the conventional setting, there is often an adversarial relationship. When a member of Aspire's team visits Monarch Academy, it is with an attitude of total support. The goal of the supporters is (as it should be in the traditional system) to help the principal be a better leader, therefore helping the kids get the best education possible.

JS: To drive change, you need more than just a general commitment from the district to support the principals. You first need a cadre of people in the school community who understand what is needed and have come together around a common goal. Secondly, there needs to be a focus on learning what helps or hinders principals so that specific, documented solutions can be adopted.

DK: Alongside different authority for hiring and a culture of support, not mandates, there is a need for financial control going to the principals.

Q: What is the most important quality in a principal?

SP: Relentlessness. Because bureaucracy exists in an urban system that is difficult to navigate, it is essential to bend the rules in order to succeed. A leader needs to look for solutions rather than continuing to comply with the status quo. Coupled with that is a willingness to be part of a team as autonomy cannot be that broad within the traditional public system. Relentlessness and a willingness to work within those rules that they bend.

JS: Relentless drive to do whatever it takes to help every kid succeed to the best of their potential. A record of leadership with results. Someone who has demonstrated an ability to teach effectively and who understands the position of instructional leader. A deep personal strength and courage.

KB: Commitment to academic achievement and reshaping the community alongside competence in many diverse areas.

Q: With the challenges of scale and sustainability, it ultimately seems very expensive to make good practice common practice. Will it always require external funding to support the process?

SP: The methods are cost-effective. Breakthrough's strategies can be accomplished for \$50,000-\$100,000 per school. When other effective programs and social interventions are considered, that is much cheaper. Performance rewards, if implemented properly, can cost very little. If the union goes to the table demanding an increase, and a component of that increase is based on performance, it doesn't cost the system more overall.

KB: Aspire is working towards sustainability at ten schools. As a principal, it is important to be able to move away from the need to raise money in order to focus on the kids.

JS: There is a role for many new institutions to evolve on the city-by-city level to scale up. Universities can be matched with school districts. With New Leaders, foundations and businesses can sponsor a new principal's education for \$36,000 and the districts are willing to pay the principal's salary during the one-year apprenticeship. If there needs to be 2,000 new principals nationwide each year, then a national level cost of \$72 million for educating them is not that high.

ROUNDTABLE: CHARTER SCHOOLS

Presenters:

- Jon Bacal, president and founder, SchoolStart
- John Cairns, consultant and legal advisor to charter schools
- Anita Landecker, executive director, ExEd

Opening Comments: Jon Bacal and John Cairns

JB: For Bacal, scaling quality new schools is the moral imperative of this decade. We know that we need thousands of new schools across the nation, so the challenge becomes encouraging and supporting those who will get us there.

JC: Cairns sees himself as the bridge between what schools want to do and what they can do. He finds that deregulated charter schools need guidance on the rules of corporate structure, the IRS and the SEC.

Discussion

AL: With the high cost of real estate in urban areas like L.A. and San Francisco, it is very difficult to generate enough financing to start a charter school from the ground up. Besides philanthropy and social investment lending at below-market rates, what strategies exist to overcome that challenge?

JC: Most people get the charter first and then look for the building site, causing a crunch-time increase in prices. There is an enormous gap between the number of parties interested in founding charter schools and those who have access to the necessary start-up money on the facilities side. One resource is Community Reinvestment Act money, as banks are catching on that they can receive credit for providing under-market loans. There are a number of solutions on paper around the country right now, including revolving loan funds and some federal help.

JB: In Minnesota, charters got the legislature to increase facilities aid. You cannot ignore politics and policy if you hope to create a macroclimate for scaling charters. The central principle behind Minnesota's success is equity. In theory, the government has to treat all public school kids equally in terms of facility financing, and charter schools without local taxation authority don't have the same opportunity. Under this principle of equity, the states of Florida and Arizona have joined Minnesota in approving funding for charter school facilities. It is very important to build relationships with committee chairs in the state government and work to educate them on the issues affecting charter schools.

Joe Graba, democratic state legislator, Minnesota: The real key is having strong leaders at the state level who are willing to support the charter school movement, as they face substantial political heat.

JC: There is data available that facilities costs for traditional public schools are three to five times higher than for charters, which is helpful in pushing for financing.

Peter Svahn, Charter F.S. Corporation: Based on personal banking experience, there is a real role for venture philanthropists to lend their balance sheets, not just give money for facilities. They can use their credit to develop a pool from which to guarantee loans for facilities, improvements to rental spaces and equipment purchases. With such an alternative use of funds, foundations could reach a much greater number of schools.

JC: In Delaware, the banks set up a program-related investment on a taxable bond and got CRA credits for it. If banks are thinking properly about the issues, they can be quite effective. Another idea is for endowed private foundations to diversify their portfolios by using a few million dollars to buy a tax-exempt bond.

John Sarvey, City Year: Are there growing occurrences of existing public schools being converted into charter schools, using the same facilities?

AL: There are only three conversions of independent charter schools in Los Angeles. Conversions are extremely difficult in L.A. Unified as 51% of tenured teachers have to vote for the change.

Daniel Oscar, The Learning Project: In New York, it is possible to convert an existing public school into a charter school as the New York City School System will lease the facilities for one dollar per year. The future of scaling charter schools will potentially be taking the thousands of existing public schools and transforming them into charter schools. Unfortunately, the requirements differ from state to state. In New York, it takes 50% of the parents to vote for conversion, not the teachers. After the parents make that decision, then negotiations begin with the teacher unions.

Gloria Lee, COO, Aspire Public Schools: Aspire made an explicit decision not to go to conversion schools due to the potential difficulties of taking over a faculty with pre-set attitudes and expectations. Aspire would rather build the schools from scratch, although finding facilities and financing them is an enormous challenge. They are now doing a tax-exempt, conduit issue, private banking bond that requires some philanthropic equity to finance facilities. There is some question as to who will buy the bonds because Aspire is not rated. In California, there is ambiguity in the charter school laws as the legislature was not anticipating organizations, like Aspire, that are going to scale. There is some movement now in the state to add trailer legislation enabling charter school organizations access to capital as they try to go to scale.

JC: In financing facilities, it is helpful to be a for-profit organization if the company has any capital and is willing to give any credit enhancement. It is also positive to be for-profit because the underwriters and finance people are more comfortable with that model. They understand how to measure success and value for that for-profit charter school manager.

Gloria Lee: The advantage of the nonprofits, like Aspire, is access to tax-exempt bonds.

JC: You can do tax-exempt bonds with a for-profit manager as well, the contract must just be written correctly. The largest gap in the facility financing of charter schools is the start-up piece. The second biggest issue is the sub-debt piece because a lot of underwriters want to see some equity in the deal. Charter schools, by their very nature, do not have equity as not-for-profit organizations. If 5% of a deal could be put into high-rate (10%+), tax-exempt sub-debt, and if a buyer could be found in that marketplace, charter school financing would work every time.

Gloria Lee: What kind of buyers would be interested?

JC: Endowed private foundations, using their investment side, not the contribution side, to buy the bonds and hold them. A 10% return over five years is pretty good. High-net-worth individuals who would be willing to invest in bonds at that rate. The equivalent is a New Schools Venture Fund on the capital side, and that doesn't exist right now.

Mark Spencer, chairman, Matrix Bank: That credit-financing piece is really interesting. Matrix Bank has been able to secure ties on a tax-exempt basis and then sell that strip to high net worth individuals. The real issue is inner-city schools where real estate is the problem.

Craig Stanley, CPO Financial: CPO specializes in matching non-rated debt with quasi-institutional investors and they prefer the non-profit side with not-for-profit managers because it is legally less complicated with regard to tax-exempt status that way. Those investors prefer to gain equity in the facility. On the rated side, conventional lenders would prefer for-profit models.

JC: Is anyone working with teachers' colleges on how they teach teachers?

East Bay Conservation Corps: EBCC works with Cal State Hayward and Cal State San Francisco, but it is difficult because the universities are resistant to change in their programs.

Eric Rofes, Humboldt State University: After seven years as a charter school researcher, it became apparent that charter school teachers need a different type of preparation. Trying to change the teacher training system from the inside is very difficult. Until the state has a larger number of charters, there will not be a program to address that specific need. Aside from that, the upside to the facilities challenge is that it prevents people from going to scale too quickly and making compromises with personnel and quality. The other challenge is that so much of a charter is contextual that if a school is taken to scale, it might not fit in the next context. Groups that go to scale too quickly do not flex enough to allow communities to take hold of the schools. Also, if schools go to scale, are they just creating a new bureaucracy?

East Bay Conservation Corps: In bringing Conservation Corps to scale across the country, there have been many of the same issues as those that now face charter schools. The best successes come from having a core set of principles and then adapting to each individual location.

JB: What about the shortage of entrepreneurs in education?

JC: The pool of entrepreneurs is already in the system as teachers and principals, but the system works to prevent them from branching out.

John Kim, Chancellor Academies: In hiring entrepreneurs from within the public school system, it quickly became apparent that the standard business model of financial rewards and options was not enough. It takes time for that model of recruitment to appeal to some people, and there needs to be a marriage between doing what they really care about and getting paid enough.

Lisa Daggs, KIPP Schools: KIPP is trying to find entrepreneurs from within the public school system who want to break out and start their own charter schools. In that recruitment process, they are realizing that the people they hire need a hybrid set of skills to be successful. KIPP is therefore training them for a year in the business and management skills that they will need to be effective leaders.

Daniel Oscar: Moving forward, it is critical that new charter schools are the best they can be. When it comes time for scaling up, if the public is convinced of quality, financing will follow much more easily. It is also important that traditional public schools become charters and that the new type of school governance creates a marked increase in performance.

SENATOR JOHN F. KERRY ON THE FUTURE OF EDUCATION

John Kerry, serving his third term as a United States Senator representing Massachusetts, has worked to define America's role in the world, reform public education, address children's issues, grow the high tech New Economy, and protect the environment. On education, he stresses accountability, teacher certification and choice leading to competition.

Opening Comments

Kerry is deeply frustrated because much of what is said about education today is cliché and devalued. He is, however, encouraged that after several years of struggle in Washington, "without any question, we will have an education bill this year. There will be compromise." For the first time in long while, there will be a new and different model for America in terms of education. The senator challenges people to consider the implementation of such a bill and how to make it a reality. He believes that the entrepreneurial effort is vital: "we've got to break the orthodoxy that currently controls the debate and our ability to change things." In an atmosphere of change, he supports programs like charter schools that provide competition and create a proving ground for best practices that can be incorporated into the greater system. Ultimately, however, 90% of American children attend public schools and those schools will need to be transformed.

Kerry proposes five main targets: teachers and principals, disadvantaged students, choice and competition, creative efforts to provide innovation, and transitioning students in languages. He wants to consolidate the federal programs and leave it up to local communities to decide which programs are most important for them. It starts with leadership. After visiting many blue ribbon schools nationwide, he discovered one universal truth: where the school is working, there's a great principal in charge. Schools need someone who can take control from the school board, forge a new relationship with the union and get parents excited and involved. "A modern school demands enormous management skills and techniques in order to make it work," said Kerry, and we have a critical lack of qualified principals in this country. There is also a serious shortage of quality teachers in America and we need a dramatic effort to try to attract people into teaching. Consequently, he is committed to finding a way to raise teachers' salaries, and is even considering a way to make those salaries tax exempt.

Senator Kerry believes that every school in the public system should be a charter school, with a strong principal who makes the decisions, and a community of teachers and parents who help determine the direction. He feels strongly that "everybody is ready for a completely different model," and that educational entrepreneurs are "positioned brilliantly to help be the fulcrum, the lever that helps change the equation."

Discussion

1. **Testing.** Senator Kerry is for testing but against bad tests and teaching to the tests. It is important to look for tests that are not measuring general aptitude but whether or not students have learned the central principles of a given course. It is up to the leadership in schools to implement tests that measure student learning while liberating teachers from test-based fears. Judy Kotting from the National Center on Education and the Economy suggests that we get what we pay for in test quality. The highly respected AP exams cost \$85 per student and the international average is between \$50 and \$70 per student for accountability exams. Some states in America are currently creating tests that cost from one to five dollars per student, and the quality is low. When considering accountability, it is critical to invest adequate funding to get accurate learning results.
2. **Vouchers.** The senator suggests that there will be no compromise on the issue. He understands the frustrations with the system, but sees vouchers as a temporary fix that takes money away from schools that desperately need it. Furthermore, there are not enough seats in alternative schools for a feasible voucher system.

3. **Early Childhood Education.** Senator Kerry believes that preschool and early childhood education requires a massive investment. Children are coming to the first grade inadequately prepared for success. Health care in the schools has become a critical component of education, and it will take a holistic view to solve the problems.
4. **Charter Schools.** The federal government allows charter schools but will not mandate them with federal funds. Senator Kerry has moved away from supporting specifically targeted funding to sponsoring programs that give money to local communities and trust them to implement as needed. He suggests that the federal government could not supply enough funding to create charter schools from the ground up. Instead, he calls for an educational revolution to take over the buildings of failed schools. Charters are great at kicking the system into gear, and that needs to continue, but at some point existing schools need to become the mechanisms of change.

Peter Thorp, the founding principal of a San Francisco charter public high school, suggests four ways that the federal government could be helpful to charter schools. It could reform the tenure and teacher union systems, address the teacher shortage through a national teacher credentialing agency, perform a legal audit on regulations that apply to charters, and redefine the IDEA, taking into consideration both the financial point of view and new neurological research.

Daniel Oscar of The Learning Project offers the perspective that educational entrepreneurs who deal with 10% of non-traditional public and independent schools are valuable in building the political atmosphere that will allow the other 90% to be reformed. They are becoming the service providers for future choice.

The Senator feels that if every public school is made a charter school, they will be enabled to become whatever they want to, therefore providing the broadest choice possible. He hopes to empower parents, teachers and principals to decide on a direction and make choices at the local level, as charter schools do. To him, charter school “means liberated from the orthodoxy and the layered bureaucracy that tamps down creativity, innovation and entrepreneurial capacity.”

5. **Teacher Shortage.** Kerry has recommended overhauling the credentialing system as it has become a blockade to new teachers. It is important to take out the barriers and create the necessary flexibility for a local hire to be made by an empowered principal. If a principal is accountable, he or she should be able to consider state-certified teachers as well as qualified, non-certified ones. If the students are not, then that principal is held accountable.
6. **Public/Private Partnerships.** Mary Anne Schmidt, president of New American Schools, suggests a public/private partnership at the national level to address the enormous need for funding the new educational infrastructure. Perhaps it could take the form of a venture fund that focuses on building the capacity of quality educational providers that is needed for real change. The senator agrees that such an approach might be effective. While he wants to focus upon the most massive effort he can find to fix the system, educational entrepreneurs are essential to building the political equation that will empower real problem solving.

VENTURE PHILANTHROPY IN EDUCATION

Panelists:

- Kim Smith, founding president and CEO, New Schools Venture Fund
- Catherine Clark, managing director, Flatiron Future Fund; president, Flatiron Foundation
- Vanessa Kirsch, founder and president, New Profit Inc.
- Dean Millot, vice president, New American Schools
- Jay Steenhuysen, managing client service director, MyCFO

Opening Comments: Kim Smith

Smith sees several key points to be considered in discussing venture philanthropy:

As John Doerr suggested in his opening remarks to the summit, it is not about the venture philanthropists, but rather about the entrepreneurs they are funding. If, as a venture philanthropist, you are not helping your entrepreneurs to be successful, then you have no real point.

Venture philanthropy is doing some things quite differently than traditional philanthropy. It is extremely difficult for pure philanthropy to fundraise for ambitious undertakings, because people want to spread the wealth around in small parcels. You aren't rewarded for success in traditional philanthropy, and are penalized for failures, therefore it is safer to make many small bets than to shoot for the moon.

A core issue is how venture philanthropists can make their philanthropy strategic. For New Schools, the strategy is to focus on educational entrepreneurship and scale. You cannot move the giant educational system without scaleable entrepreneurial ventures.

The most helpful thing about venture philanthropy is that the entrepreneurs and venture capitalists understand the importance of human capacity in getting things done. You cannot build an effective company without a strong human infrastructure. No matter how good the idea is, and how good the paper business plan looks, it really ends up being about the people. Capacity building is one of the most important pieces because if it is done strategically, important and lasting institutions are built, fabulous managers are drawn into the education entrepreneurship space, and existing managers receive support. Those could be some of the truly lasting changes of this movement

Panel Discussion

CC: The Flatiron Future Fund, a traditional venture capital fund, purchases minority positions for in-profit ventures. The Flatiron Foundation, a public charity, makes grants to non-profit organizations. Initially, both funds concentrate on three areas: helping children prepare for life in a digital society; educating and encouraging entrepreneurship among minorities, women and others with less traditional access to capital; and finding ways to encourage new and experienced entrepreneurs to turn their attention to social problems. Flatiron is excited about the blending of nonprofit and for-profit entrepreneurship and the lessons that can be learned there. Flatiron looks to bring the expertise of their philanthropic objectives to some of their for-profit ventures, and management and strategy advice to some of their nonprofit ventures. They feel that this approach is a reflection of the larger world of foundations where business strategies and techniques are becoming more and more important to philanthropic work.

The venture philanthropy community works, funds and sets goals differently than traditional, national foundations:

Venture philanthropy is very focused upon organizational growth as opposed to single programs. It is interested in having people bring their vision of what they want to achieve into a holistic picture.

Stage-specific focus requires venture philanthropists to think differently about their role as funders and how they can work with other funders. They are starting to borrow the venture capitalists' habits of syndicating deals by trying to bring enough funding from a variety of sources to guarantee success for each stage in an organization's growth.

Traditional foundations are very focused not only upon internal strategy, but also the external market. The best foundations are good at doing research and establishing strategy. Venture philanthropists go another step and do a market analysis, ensuring that they are investing in the best organization or company within a certain space.

Venture philanthropy tries to bring financial and strategic skills out of the business world and into the non-profit management for social entrepreneurs.

Venture philanthropists are future directed, working hard to establish where organizations are in their development and how they can both attain the next stage and envision the future. They encourage a big vision with attainable steps by remaining focused on results and performance.

The staff of a venture philanthropy organization goes beyond grant making. There is a great deal of on-the-ground consulting, and it is not unusual for them to work with an organization for several months before funding them. They give the organizations a small amount of money to develop a plan and then help them through the process.

Venture philanthropists are often interested in taking a board seat to work with the governance during the period of the grant.

Many of the venture philanthropy funds have been started by people with business experience who are interested in helping with both the governance of the fund and the consulting of the funded organizations. That leads to a different level of accountability for the philanthropies.

VK: Kirsch believes that venture philanthropy can help release the potential of those who have the vision and the understanding needed to impact major change, the social entrepreneurs. She notes, however, that venture philanthropy is also about making the tough choices when things are not going well, and insisting upon greater accountability.

New Profit, Inc. has invested in seven organizations, looking to support the best entrepreneurs in several areas of social change, not just education. They are interested in providing organizations with mezzanine funding that can take good ideas to scale. Mainly due to the capital market of the nonprofit sector, 74% of nonprofits

nationwide have budgets under \$500,000, while a mere 4% have budgets over \$10 million. Kirsch sees a critical demand for scaleable ideas that can attempt to break the nonprofit status quo over the next five to ten years.

A partnership between New Profit and the management-consulting firm, The Monitor Company, allows an equal balance of consulting and financial capital to be given to the social entrepreneurs. The seven nonprofit organizations are supported by great strategists and a community of social leaders. Central to New Profit's strategy is the idea of identifying an organization's strengths and weaknesses before taking what works best to scale. Measurement of success is another key component to their version of venture philanthropic funding. New Profit creates quarterly benchmarks for strategy that enable them to keep the staff, board and investors of each organization aligned. They use a tool from the private sector, called the "balanced scorecard," to measure performance, speak to investors and even determine performance bonuses.

DM: New American Schools Educational Venture Fund has been doing what is now called venture philanthropy for ten years. NAS has provided support for research and development, marketing, facilitation and networking. Starting with \$130 million in capital, they funded eight organizations that had a model for how to operate in public schools and a way for implementing those models at scale. NAS realized that there wasn't enough funding to take each of those organizations into every public school across the nation, so they helped them to go fee-for-service with a plan of sustainability.

Some of NAS's lessons learned:

- Functioning markets provide the best assurance of results in education. Venture philanthropy should be based on potential for success in the market.
- Simple metrics should guide social investment decision-making. Variables to be considered include student achievement, number of schools served and fee margin.
- "Edupreneurs" can build stable businesses while pursuing social goals. An increasing number of groups are showing results, decent margins and potential.
- Many educational businesses cannot meet venture capital expectations of return, but could make it in a rational social capital market.
- The social change sector lacks a "transmission belt" for taking good ideas to scale.
- Quality needs to be measured.
- Organizations need to look towards scale and sustainability.

JS: Steenhuisen explains that as an educational entrepreneur, it is ideal to work with a venture philanthropist who has the passion, interest, language, commitment and learning to be a strong funding partner. Unfortunately, the large part of the market is not the venture philanthropist, but rather the new philanthropist who is looking for models to help them grow. There is, in fact, a maturity process that many of these new philanthropists must go through:

- **Affiliation.** They see something they think there should be more of and give money without actually engaging.
- **Relationship and Status.** This is the alumni model, where the relationship is strong or there is status in being connected with a particular group.

- **Investment.** They have developed their interests and found organizations that are working with those interests, passions and values. They make contributions to ensure that those programs continue to exist.
- **Venture Philanthropy.** They are actively seeking partners that can help them bring their visions to scale.

Steenhuysen sees a few key steps in the process of cross-cultural communication between social entrepreneurs and investors:

- Clearly define the partnership, ensuring clear language, common values and shared goals.
- Create an atmosphere of reciprocity and communication where responsibilities and roles are defined.
- Form a communication plan instead of a contract with regularly scheduled meetings to maintain accountability.
- Build the capacity of the organization by visioning, growing and learning from mistakes.

Q&A

Q: What are the chief obstacles to scaling and how do you deal with the human capital/leadership obstacle?

VK: The chief obstacle is definitely leadership. The social entrepreneurs themselves have to continue to grow and figure out how their role evolves within their organizations. New Profit sets them up with coaches to help them develop their roles and skills. In venture philanthropy, the investors are looking very carefully at the leader and making sure that leader knows where he or she is going. Many organizations have a leader and a set of helpers, but they haven't figured out how to build a strong management team. The leader gets a great deal of positive feedback, but not the helpers. Boards often pay a lot of attention to the entrepreneur and not to the management team. The team is therefore not as invested in the whole outcome. The board should work with the whole management team and really create places for the team to have leadership opportunities.

CC: The other thing that is very difficult in the nonprofit world is succession planning. The visionary may be exactly what the organization needs for a certain period and then the team needs to be changed.

JS: Traditional philanthropy has been about the dynamic nature of the leader while venture philanthropy is about the dynamic nature of the idea. That way, the idea is not dependent upon the leader.

DM: This is particularly difficult in a nonprofit with an existing history that is looking to change its way of operating to a more business-like environment. Many people join nonprofit organizations because they aren't business environments. If that transition process isn't handled well, the organization can lose a lot of its heart, and the mission can be harmed.

Q: How do you work with boards when they have been used to one kind of nonprofit and are now transforming?

DM: There is a process of acculturation, knowledge-building and consciousness-raising. Much of it is an eye-opening process where you take your facts to the board and suggest that if they want to continue to pursue the mission, they will have to become more business-like. It takes time for them to make that shift.

CC: We have used third party consultants to help boards make that shift.

Q: Do the venture philanthropists really end up creating the agendas for the organizations they fund?

VK: We have 37 investors and they have to agree to give to a blind pool and be willing to believe that we can find social entrepreneurs who are doing interesting things. It ends up being agenda-less that way. There is a difference between new economy philanthropists, who are in it to drive agendas and venture philanthropists. In venture philanthropy, we are looking for donors who really are looking for results for their investment, not what it gives back to them.

DM: Our organization doesn't just give money away, but expects to be paid back. That makes it clear that the person or organization that comes to us to borrow money really believes in their plan and stated goals. That way, outside agendas aren't inserted.

CLOSING SESSION: THE FUTURE OF PUBLIC EDUCATION

Panelists:

- June Kronholtz, education reporter, The Wall Street Journal
- Jeanne Allen, founder and president, The Center for Education Reform
- Linda Darling-Hammond, professor of teacher education, Stanford University
- Roger Erskine, director, Teacher Union Reform Network (TURN)
- Andrew Rotherham, director, 21st Century Schools Project, Progressive Policy Institute

Opening Comments: June Kronholtz

Kronholtz points out the similarities between the five different education plans currently under consideration in Washington, D.C., and notes a convergence on the ideas of standards, accountability, flexibility and choice. She prompts the panel to step back and deconstruct the problem:

- Is it a failure of the educational system, or is it a problem of execution?
- What needs to be done to get the entire system working again?
- Where are the leverage points for applying agents of change?

Panel Discussion

JA: Allen believes that a fundamental design flaw plagues America's public schools. She describes an ideal world where schools would:

- Revolve around the needs of kids.
- Be run and staffed by tireless, selfless people with deep practical and philosophical knowledge of how to teach using proven methods.
- Identify each child's learning style as soon as it becomes clear (first grade).
- Move adults around to suit the kids' needs.
- Self-impose standards with no need for oversight.

The reality is quite different, with kids being forced into situations that aren't conducive to their learning. Allen believes that the parents, who know the strengths and challenges of their children, should become decision makers with greater choice.

Allen is frustrated with the constant assent and agreement across political and philosophical boundaries, feeling that there is a different story just beneath the rhetoric:

- There is no place in America where teacher pay is directly tied to student performance.
- Nothing is being done about credentialing. Each state still requires a certificate that doesn't mean anything about the individual's skills as a teacher.
- The tenure system still holds strong though it has nothing to do with the bottom line of reaching students.

LD-H: Darling-Hammond feels that our current factory model of education is clearly flawed in its disregard for teaching and relationships. Choice alone, however, won't create a system that better educates all children. Right now, there is an inadequate supply of schools worth choosing. The primary concern should therefore be how to build a supply of high quality schools while moving towards more choice in education.

Darling-Hammond suggests that the idea of high-stakes testing is really a manifestation of the old system. It has surfaced every couple of decades for most of the last 150 years, and each time testing has driven change, the reforms have come up short. America needs to be aware of and learn from the history of this set of reform activities, as tests alone don't teach children. The states with the most intensive high-stakes testing installed early in the 1980s, namely Georgia and South Carolina, did not improve over a 15-year period on the national assessment test. Both states did face decreasing graduation rates and increasing dropout rates through the same period, as the easiest way to improve on state test scores is to push the lowest scoring kids out of the system.

American schools have a need for greater accountability, thoughtful standards and assessments that push us beyond our anemic concepts of what kids ought to learn. In considering other test-driven systems worldwide, several characteristics stand out:

- The tests are very lean instruments of curriculum guidance, containing many fewer topics than our coverage-oriented system.
- Assessments are developed and scored by teachers.
- Assessments are imbedded in the work, taking on the form of research papers and science experiments that are scored in the classroom.
- Exams are never used to hold kids back.
- The exams are generally used to inform system improvement rather than to punish the least powerful in the system.

Darling-Hammond suggests that we need to worry about the quality of teaching and realize that it is most important to invest in and support the people who are actually working with the kids. Evidence shows ideas that work:

- Students and teachers are kept together for longer periods of time.
- Teachers are allowed to personalize their instruction.
- Performance assessments and high standards are imbedded in the ongoing work of the school.

System changers must consider how schools designed under the aegis of expanded choice will produce high quality outcomes for kids. If they don't figure out how to create responsible, high-performing alternatives, the charter laws will come under pressure and that avenue for change could disappear. Another key challenge is to figure out how to enable innovation in the system while protecting opportunities for those who are starting new schools.

RE: Erskine feels that the system has become so distanced and bureaucratic that people have lost faith in its potential to meet the needs of their children. According to Erskine, the time has come for the system to refocus itself. The unions have the clear goal of all kids learning at very high levels. Union members don't want to work in a failing system that doesn't challenge them and doesn't meet the needs of the students. They are no longer looking to defend something that isn't working.

Unions aren't debating about the standards, but how assessment is undertaken. They question whether one instrument is capable of measuring the achievement of all students. Erskine has looked at the working conditions in the schools. Currently, only 40% of teachers' time goes toward adding value to student learning. Before more money is added to the system, he suggests a close consideration of how the existing funding is being spent. Productivity should be the focus instead of accountability, going back to the basics of making the teaching work units more effective.

AR: Rotherham implores those involved with education to pay close attention to what is going on at the state capitals and in Washington, D.C. Through policy, it will be determined if the social entrepreneurs will have the room to run or will be restricted in their future movements. He argues that the problem with the greater system is a fundamental design flaw, not an issue with implementation or execution. In our modern society, where a strong mind is crucial, the old system of educating the top students well and letting the rest become the strong backs of society no longer works. The idea of top-down organization also no longer applies.

Rotherham suggests that, from a policy perspective, the school is the most important link in the chain. Reform succeeds or fails at the school level, so if teachers and schools aren't bought in, good intentions cannot go further. To execute well, the system will need to include greater choice and diversity. Rotherham offers three contrasting viewpoints to the prevailing wisdom:

- **Choice and Standards.** Choice will help the low performing schools through greater options and increased accountability. It will not improve standards at the high-end. If the goal is to improve the high-end schools on issues like math and science performance, standards are the key, not choice.
- **Accountability.** It must be more than just testing. Our system is stuck in the punitive model. What is done with the information is accountability.
- **Standards.** The idea that standards cause the standardization of schools couldn't be farther from the truth. Good teachers use standards to help drive good teaching and to help teach content knowledge. Standards can unleash creativity by allowing schools to have common benchmarks of accountability, letting them be less concerned about the specific delivery methods.

Closing Comments

JK: How do we hold teachers more accountable when there is a teacher shortage? How do we get better teachers if we don't pay them? How can we pay more if the public perceives them as failing?

LD-H: There isn't a shortage of people who are willing to teach, it is a shortage of people willing to work in certain situations given the salaries and conditions that are offered. In California, there are approximately 3 million credentialed teachers for fewer than 300,000 jobs.

Connecticut is a leader in attracting and keeping high quality teachers. In 1986, they raised and equalized teacher salaries to the top of the nation. They made it more challenging to become a teacher, both in terms of tests and courses. They gave service scholarships to people of color, math and science teachers, and those who would teach in shortage. They gave widespread professional development money and categorical aid to low-achieving districts. Now, they score as well as any nation in the world. They have a performance assessment system that they use as a high-stakes instrument for reforming their systems. They don't have a shortage.

Darling-Hammond is not opposed to choice, as it will stimulate change, but thinks that we are putting our heads in the sand if we see it as a panacea. That is particularly true for low-income and minority students in the central cities. Unless a system of supports is built around high quality schools, there is no guarantee that having choice

will translate into kids being better served.

RE: In Seattle, they moved people out of central administration who weren't adding value to learning. They provided people in the schools with quality data that enabled quality decisions to be made about students. They handed over the responsibility, in school leaders' contracts, for decision-making. They broadened the leadership and the ownership. There is a whole host of things that need to be done simultaneously to the system for successful change to happen. In the past, reformers have reached for one or two silver bullets, but those did not succeed in isolation.