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DOLLARS & SENSE:

Using Public-Private Partnerships to Help *Transform*
Public Education in New York City

A Closer Look at The Fund for Public Schools

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New York City is the nation's largest school district with more than 1,600 schools serving 1.1 million students who speak more than 160 languages.

INTRODUCTION

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The Fund for Public Schools (The Fund) commissioned this white paper to respond to requests from school districts, foundations, and other interested parties for information about the organization's unique model of public-private partnerships.

Assembled with the help of research and interviews, this paper documents the catalytic role that The Fund has played in New York City public education reform, and outlines key unique, strategic approaches that can inform how other school districts might use public-private partnerships to promote meaningful change. This paper draws from existing reports written by and about The Fund and more than a dozen interviews with key personnel at the New York City Department of Education (DOE) as well as corporate and philanthropic donors. This paper also makes use of data collected and analyzed by The Parthenon Group to quantify how private dollars raised by The Fund have been leveraged for the benefit of public initiatives.

With public education under a microscope and mounting concerns about the long-term implications of underperforming schools on America's future, public school districts nationwide are facing intense pressure to improve academic outcomes for all children. Identifying strategies to create meaningful systemic change while protecting the dollars intended for classrooms is a daunting challenge for district leaders.

One promising lever for change that has demonstrated notable success in New York City is The Fund for Public Schools. The Fund is a 501(c)3 nonprofit organization "dedicated to improving New York City's public schools by attracting private investment in school reform and encouraging greater involvement by all New Yorkers in the education of our children."¹ Although The Fund's financial contribution has been small relative to the DOE's annual budget of more than \$21 billion, it has played a critical role in driving change with its return on investment far surpassing the actual dollars raised and distributed. In both absolute dollars

raised – more than \$250 million since 2003 – and its success in catalyzing district-wide reforms, The Fund stands out as a vehicle for private investment in the public good.

No two public school districts are exactly alike; each is shaped by its own blend of demographics, local politics, and history. New York City is the nation’s largest school district with more than 1,600 schools serving 1.1 million students who speak more than 160 languages. The city’s high poverty rates (71.1%²), and significant number of English Language Learners (13.6%) and Special Education students (13%), demand more from educators.³ Despite its size and unique demographics, New York City grapples with many of the same challenges facing most large urban school districts; in particular, competition for limited resources and sometimes tense labor-management relations. Some in the business community have historically been hesitant to commit resources to what they saw as a dysfunctional system, making private fundraising for public education challenging. So while New York City is unique in many ways, The Fund’s model of leveraging private dollars for the benefit of public schools can provide a strategic framework for other districts to do the same. This paper is intended to capture the relevant aspects of that model for the benefit of other districts, foundations, and others looking to energize public education reform through public-private partnerships.

1 Fund mission statement

2 Percentage based on the number of public school students receiving free and reduced-price lunch benefits

3 <http://schools.nyc.gov/AboutUs/data/stats/Register/SFormbyDistricts/default.htm> (accessed August 2010)

FUND HISTORY

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First authorized by the city's Board of Education in 1982, The Fund for Public Schools initially served as a conduit – or “pass through” – for private donors interested in supporting New York City's public schools.

FOUNDING AND EARLY YEARS

In its early years, The Fund functioned as a “traditional” public school foundation. It accepted and distributed donations but did not actively fundraise, invest in system-wide initiatives, or play a particularly decisive role in managing the relationship between donors and the Board of Education. The vast majority of dollars that passed through The Fund were from alumni or parents to support specific schools, as well as corporations and local foundations supporting particular programs in geographic areas of interest. From its inception through 2002, The Fund typically raised \$3-\$4 million dollars annually and was administered by a very small staff.

During this time, student performance in New York City was stagnant. The graduation rate hovered around 50 percent, and only 50 percent of fourth graders and 30 percent of eighth graders met State standards in reading or mathematics. With academic achievement so low, parents and the business community lacked confidence in the system's quality and integrity.

NEW ADMINISTRATION

On January 1, 2002, Michael R. Bloomberg became the 108th Mayor of the City of New York. Proclaiming education reform as a desired legacy of his mayoralty, he ran on the promise of change, accountability, and improved student performance. *“Every child deserves a high-quality education,” he said, “and the future of our city rests on our ability to deliver it.”*

New York City's graduation rate grew faster between 2003 and 2007 than in the rest of the State as a whole.

In 2002, Mayor Bloomberg successfully lobbied the State legislature for control of the city's schools. Until then, the district had been run by an elected Board of Education, which was responsible for hiring and firing the Schools Chancellor. A key selling point for mayoral control of the schools was the value of having a single elected official responsible and accountable for the success of public education. Drawing upon his experience in the private sector, Mayor Bloomberg argued that similar to corporations with a single CEO responsible for performance, a school district should have one chief accountable for student learning. Under the new school governance legislation, the Mayor was empowered to select a Chancellor to run the district.

On July 29, 2002, Mayor Bloomberg appointed former U.S. Assistant Attorney General Joel I. Klein to serve as Schools Chancellor.⁴ Under the new school governance legislation, Chancellor Klein would report directly to the Mayor, as do the Police, Fire, and other Commissioners. In the press release announcing the appointment, Mayor Bloomberg stated that "Joel Klein embodies the exact qualities we need in a Schools Chancellor: integrity, dynamism, the ability to bring diverse constituencies together, and an unwavering commitment to results."⁵ Klein's selection was based in large part on his reputation for getting difficult jobs done.

*In early 2003, Chancellor Klein launched an ambitious school reform initiative: Children First.*⁶ From its inception and through its ongoing evolution, Children First has embodied a bold agenda of reforms designed to improve the public education experience of every child in New York City. As outlined in DOE materials, putting "children first" means "putting their needs ahead of the special interest politics and bureaucratic inertia that too often drove decisions and got in the way of quality learning."⁷

Although it is still too early to assess the full impact of Children First, data emerging from New York City relative to similar districts in New York State indicate that Chancellor Klein's efforts are having a tangible positive effect on children. Whereas graduation rates had hovered around 50 percent before Children First, 60.7 percent of 2004's entering 9th graders graduated from high school within four years.⁹ New York City's graduation rate grew faster between 2003 and 2007 than in the rest of the State as a whole. It also outpaced gains in New York State's other large urban districts: Buffalo, Rochester, Syracuse, and Yonkers.¹⁰ These unprecedented advancements resulted in New York City being awarded the prestigious Broad Prize for Urban Education in 2007.¹¹

In the court of public opinion, Chancellor Klein's reform efforts have been met with praise and criticism, as would be expected of any big, bold reforms. He is lauded in the broader education community as being a trailblazer willing to make tough decisions in the interest of kids. However, as with any effort that substantively changes the status quo in such a large and diverse community with countless stakeholders, he has many critics. But they have not deterred his commitment to Children First.

Chancellor Klein's reform efforts have been met with praise and criticism, as would be expected of any big, bold reforms.

FUND RE-ENVISIONED

An early tactic Chancellor Klein introduced was to enlist the corporate and philanthropic communities to help him transform public education in New York City. To that end, Chancellor Klein hired Caroline Kennedy in 2002 to rally support for education reform and to bring to bear the power of philanthropy to benefit the schools. Her explicit task was to re-launch The Fund for Public Schools to function as a mission-driven strategic partner to the DOE, raising private funds for system-wide initiatives rather than isolated, one-off projects. Klein and Kennedy envisioned that the new and expanded Fund would work closely with the DOE's Office of Strategic Partnerships, serving as the face of public involvement and private philanthropy for education reform in New York City.

Enlisting a leader of Kennedy's stature was foundational to The Fund's early growth and success. Not only did Kennedy have long-standing access to a key network of community leaders, she also brought credibility, vision, and a deep commitment to service to her work at The Fund. In particular, to many donors, Kennedy's commitment signaled that "real change" was possible in the public schools.

Under Kennedy's leadership, The Fund honed its focus on system-wide efforts that would benefit all schools, rather than working piecemeal on initiatives that would only support specific schools, geographic regions, or student populations. This appealed to funders and reassured other education nonprofits that The Fund's unique mission would not create competition for their fundraising efforts.

Kennedy and staff worked to meaningfully engage the business community and to form collaborative relationships with existing municipal agencies and community-based organizations already actively working with the public schools. The Fund strengthened its relationship with The Partnership for New York City – a prestigious nonprofit association of 200 chief executive officers from the city's premier corporate, investment, and entrepreneurial firms. *The Partnership's President and CEO, Kathryn Wylde, says she "supported the idea of coordinating and consolidating philanthropic contributions to the school system." That kind of coherence, she hoped, would "result in systemic change rather than the nice but not really transformational change... that had previously characterized corporate philanthropic giving."*

Following its shift in focus and scope, donations to The Fund jumped to over \$39.9 million in 2003 and averaged more than \$38 million per year for the next five years. The increase in donations can be attributed to the district's willingness to make significant changes and invest in new initiatives, such as the *NYC Leadership Academy* and the *Multiple Pathways to Graduation*.¹² In interviews, stakeholders repeatedly referred to the value of "bold" initiatives when trying to appeal to donors.

Many donors attributed The Fund’s impressive accomplishments to the leadership and accountability the Mayor and Chancellor brought to the DOE. Reflecting on the motivation behind her organization’s contributions, Wylde explained: “Our board was very supportive of mayoral control and the Mayor and Joel Klein. We had great confidence in their leadership, which was the first criteria for the expanded involvement with The Fund.”

Stakeholders also noted that explicit accountability not only for school improvement but also for the use of philanthropic funds enhanced credibility when The Fund approached donors. *“[Education] is on the national radar as an urgent issue,” explained Kennedy. “It is front and center. Leading corporate citizens see it as a priority... but they have to have confidence in the administration and believe their contribution will make a difference.”*

- 4 New York State requires school superintendents to have at least three years of teaching experience and graduate work in school administration, including an internship or similar experience. However, since 1970, the State’s Education Commissioner has been allowed to waive these requirements for “exceptionally qualified persons” who have “training and experience” that are the “substantial equivalent” of the formal requirements.
- 5 http://www.nyc.gov/portal/site/nycgov/menuitem.b270a4a1d51bb3017bce0ed101c789a0/index.jsp?pageID=nyc_blue_room&catID=1194&doc_name=http%3A%2F%2Fwww.nyc.gov%2Fhtml%2Fom%2Fhtml%2F2002b%2Fpr201-02.html&cc=unused1978&rc=1194&ndi=1 (accessed August 2010)
- 6 For a more detailed description of Children First, see: <http://schools.nyc.gov/AboutUs/schools/childrenfirst.htm> (accessed August 2010)
- 7 http://schools.nyc.gov/NR/rdonlyres/51C61E8F-1AE9-4D37-8881-4D688D4F843A/0/cf_corenarrative.pdf (accessed August 2010)
- 8 http://schools.nyc.gov/NR/rdonlyres/E1D8F013-D747-48EE-9F75-8262AA708341/0/20091012_achievement_report.pdf (accessed August 2010)
- 9 <http://schools.nyc.gov/Accountability/DOEData/GraduationDropoutReports/default.htm> (accessed August 2010)
- 10 <http://www.emsc.nysed.gov/irts/pressRelease/20090622/home.html> (accessed August 2010)
- 11 The Broad Prize is awarded each year to honor urban school districts that demonstrate the greatest overall performance and improvement in student achievement while reducing achievement gaps among low-income and minority students.
- 12 See Initiative Spotlights on page 23.

MISSION & FOCUS

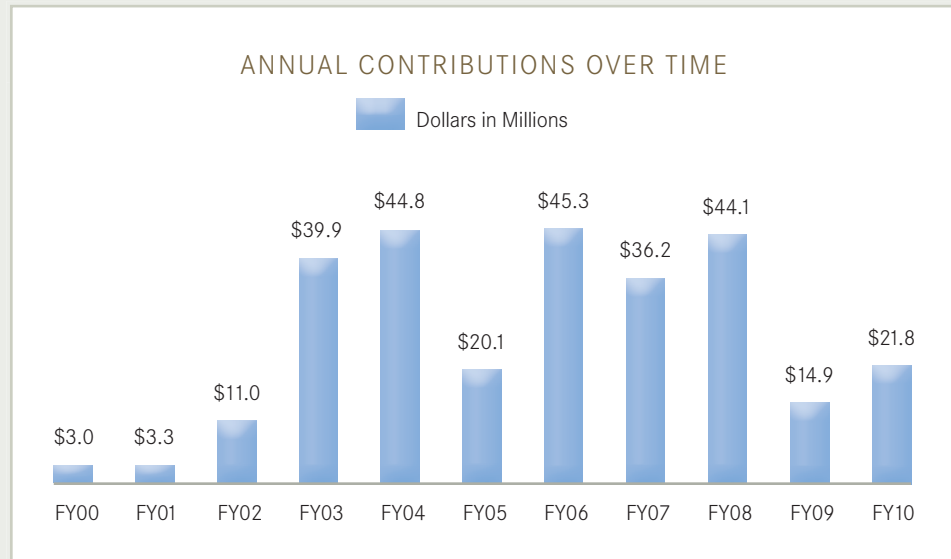
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Reflecting on his strategy for raising dollars to drive change, Chancellor Klein explained, “The Fund is not doing ‘traditional’ education philanthropy – we’re not simply raising money and applying it as a band aid to problem spots in the system.”

We strategically and opportunistically raise money to push our work beyond what would be possible with public funds. This means that private investments and public-private partnerships have a multiplier effect on the public investment we are already making.”

The Fund’s work is focused on the core pillars of the *Children First reforms: Leadership, Empowerment, and Accountability*. One example of this is The Fund’s support of the *Autonomy Zone* in 2004. This initiative piloted the notion of holding principals accountable for performance targets in return for greater autonomy and flexibility in the management of their schools. The Fund raised over \$1.3 million to support the costs of the pilot program, which included 29 schools in its first year. Found to be a successful model, the *Autonomy Zone* ultimately evolved into the *Empowerment Support Organization*, which by 2008 served almost 500 schools, all of which committed to be held accountable for performance results in exchange for greater flexibility and autonomy. Today, the underlying principles of the *Autonomy Zone* have permeated the structure of the entire school district.

Setting and not deviating from explicit goals maintains The Fund’s integrity of focus, but The Fund remains nimble enough to shift priorities as the evolving needs of the reform effort take shape. Its core commitment to seeding innovation, building capacity, and involving city residents in the work of improving schools has remained constant.



Operationally, The Fund’s work has two distinct focal points:

1. Public awareness and engagement, and
2. Securing private financial support for New York City’s public education reform effort.

PUBLIC AWARENESS AND ENGAGEMENT

An immediate challenge facing Chancellor Klein as he embarked upon his ambitious Children First reform agenda, and The Fund’s subsequent effort to garner financial support, was a lack of public confidence in the system. Stemming from decades of low performance, corruption, and an essentially dysfunctional school board, many people perceived the DOE as a “black box” into which their donations would disappear, and were hesitant to invest in the system as a whole.

In an effort to restore confidence to prospective donors, The Fund used public events to elevate the profile of public schools to make them a priority for charitable giving in New York City. *“What we always tried to do was increase the overall sense that public education is everyone’s responsibility,” explained Kennedy.* The Fund also worked to raise awareness about the positive changes occurring as a result of the Children First reforms.

Early on, The Fund focused on broadly engaging as many New Yorkers as possible. The 2003 re-launch of The Fund was kicked-off with a concert by the Dave Matthews Band in Central Park to support music education. Approximately 90,000 people attended the event, which raised \$1 million. Next up was a tag sale in Central Park called *Get Organized New York*, which included a media blitz promoting the importance of supporting public schools.

New York City's public schools are making progress, but since much more needs to be done, citizens must "keep it going."

Shop for Public Schools began in 2004, when a group of New York City retailers approached Kennedy with the desire to become more involved in supporting the city's public schools. Together they developed a promotion in which participating merchants—from big box retailers like Barnes & Noble and Staples to mom and pop toy stores, bakeries, and boutiques—donate a portion of sales for a one-week period to The Fund. Funds raised help revitalize public school libraries across the city. Shop for Public Schools gives all New Yorkers the opportunity to support public schools simply by shopping at their favorite stores. In 2009, over 80 merchants in 250 retail locations in New York City participated. Over these six years, Shop for Public Schools was a key part of The Fund's larger fundraising efforts for public school libraries, which have brought in over \$6 million since 2004.

Partnerships with corporations have served to not only raise funding but also increase awareness. Sarah Jessica Parker facilitated a partnership between The Fund and New Line Cinemas by making The Fund the charitable partner of the Radio City Music Hall premiere of *Sex and the City: The Movie* in 2008. The media attention around the premiere gave The Fund unprecedented publicity to a wide audience of people who were previously not engaged in the education world. As another example, Macy's made The Fund the charity partner of its annual Shop for a Cause campaign, raising valuable funding for library programs and elevating the visibility of The Fund to a wider audience.

Another facet of The Fund's ongoing public awareness efforts was *Keep It Going NYC*: a multi-channel outreach initiative supported by private donations. Its purpose was to educate New Yorkers about the progress made in city schools by communicating specific accomplishments of the Children First reforms. The initiative also encouraged the public to get engaged and invested in schools. The core message had two components: New York City's public schools are making progress, but since much more needs to be done, citizens must "keep it going."

Private dollars devoted to public awareness initiatives such as *Keep It Going NYC* have been an easy target for advocates fighting to make sure that every last cent reaches schools and classrooms. Factual and straightforward communications, however, have played a central role in building confidence in the system, generating more philanthropic giving. Raising awareness about The Fund and positioning public schools as a credible cause has generated an unprecedented number of large and small gifts from donors who may have never considered giving to public education. Some contributions garnered much public attention, like Sean "P. Diddy" Combs's 'Diddy Runs the City' initiative that raised \$1 million for The Fund. Giorgio Armani's gift of \$1 million for arts education also attracted a great deal of press as he announced the gift in concert with the opening of a new Fifth Avenue store. Other contributions are unknown to the public but still significant; a large number of smaller gifts have flowed in from regular New Yorkers as a result of public events and awareness activities.

Private funding raised by The Fund is not used to supplement DOE operational dollars but rather to introduce new dollars to instigate innovative, system-wide change.

SECURING PRIVATE FINANCIAL SUPPORT

The Purpose of Private Funding

Reflecting on the mission-driven urgency that has been a defining characteristic of his administration, Chancellor Klein is unambiguous about the purpose of The Fund's fundraising efforts:

1. To raise private dollars for system-wide efforts for which public dollars are not available, and
2. To leverage private dollars to maximize their benefit.

Most of the private dollars raised by The Fund support research and development as well as system capacity-building initiatives, anecdotally referred to as “the plumbing” work. One notable example of this is the *Accountability Initiative*, which encompasses the DOE's work to improve academic outcomes for students by giving educators and parents evaluative and support tools, data, and research. This includes annual Progress Reports that measure the extent to which schools are moving their students forward academically, Quality Reviews that provide an in-depth look at how well schools use information to drive student achievement, and the Achievement Reporting and Innovation System (ARIS), a data management system that gives educators and parents comprehensive reports regarding student performance and progress. *The Fair Student Funding*¹³ initiative, which restructured the DOE funding formula to make the allocation of money to schools more equitable and transparent, is another good example of this work.

In addition to research and development and capacity-building initiatives, a small percentage of dollars raised by The Fund support student scholarships and school-level grants to enhance arts spaces and libraries. With a few exceptions, all monies are designated for specific projects.

Funding to Drive Innovation

Private funding raised by The Fund is not used to supplement DOE operational dollars but rather to introduce new dollars to instigate innovative, system-wide change. The Fund is uniquely positioned to raise support for efforts that would otherwise be impossible to implement. The Fund invests in new pilot programs that, once tested and demonstrated to be successful, can then be funded by the district's budget. *Simply put by the DOE's Chief Operating Officer Photeine Anagnostopoulos: “The Fund allows us to incubate new ideas.”*

Innovation, and the trial and error that underlie truly innovative initiatives, requires investment. Organizations in many industries explicitly embrace research and development efforts by dedicating a specific amount of their budgets to this function (e.g., 15 percent and 7 percent on average in the pharmaceutical and software sectors¹⁴). The restricted nature of the DOE budget, however, precludes devoting even a paltry amount to this function. For example, in fiscal year 2009, only 2 percent of the DOE budget was allocated to support *all* central office functions. Given the purely operational areas that are required for central office functions – finance, legal, human resources, information technology, etc. – far less than 2 percent is actually available to be devoted to research and development initiatives. The Chancellor has virtually no discretion to invest public dollars in the development of initiatives that could be considered innovative, giving him little ability to make the bold changes the public education system so clearly needs. This lack of flexibility underscores the need for an organization such as The Fund because, as one DOE administrator noted, “every marginal dollar is so valuable due to its flexibility.”

Funding as a Catalyst for Change

A distinct characteristic that differentiates The Fund’s efforts from traditional school foundations is the explicit desire to leverage private dollars to benefit the entire system; what Chancellor Klein refers to as *“things that are transformative, not programmatic.”* Accordingly, one measure of The Fund’s success at leveraging private dollars for broader public goals is the extent to which the DOE subsequently committed its own resources to Fund-backed initiatives. Leverage does not imply that The Fund’s support *caused* public dollars to be spent. Rather, private dollars provided by The Fund interact with public commitments to *catalyze* the development of innovative practices and to *enable* more rapid adoption.¹⁵

For instance, The Fund initially raised \$6.9 million to support the research and development work for *Project Home Run*,¹⁶ an initiative that redefined the DOE’s human resources function. The Fund’s initial investment catalyzed a subsequent allocation of \$33.2 million by the DOE to fully implement the initiative. Similarly, The Fund raised \$6.7 million to support the development of the *Multiple Pathways to Graduation*¹⁷ initiative, to which the DOE committed \$82.8 million in fiscal year 2009.¹⁸

Overall, investments in The Fund have catalyzed change that, when measured according to DOE budget allocations, far exceeds the private dollars invested. The Fund has succeeded in providing flexible research and development dollars in an otherwise inflexible budget environment and maximizing the benefit of the dollars by leveraging them as catalysts for subsequent public investment.

Donors

The Fund solicits individuals, corporations, and local and national foundations and trusts. Each of these donors brings a specific value to The Fund.

- **Individuals**, including alumni and non-alumni New Yorkers, are encouraged to help support public schools. The Fund specifically encourages New York City public school alumni to get involved by volunteering in schools, planning alumni events, donating money or gifts-in-kind, fundraising, and advocating for schools. Individual and alumni donations typically represent a small percentage of annual donations to The Fund.
- **Corporations** are encouraged to engage in the public schools as citizens of the community with a vested interest in cultivating a pipeline of skilled workers and ensuring that the city remains an attractive option for families. The Partnership for New York City and the Association for a Better New York have been significant vehicles for corporate donors to engage with The Fund. Because of their commitment to leadership, members of The Partnership were early and significant donors to the [NYC Leadership Academy](#), and the CEO of The Partnership currently serves on the Leadership Academy’s Board of Directors.
- **Local and National Foundations and Trusts** typically operate with a specific mission or agenda that drives their grant-making decisions. In addition to providing dollars, national education foundations are uniquely positioned to provide the DOE with valuable perspectives on public education reform due to their work in districts across the country. These organizations’ contributions usually constitute a major portion of annual donations to The Fund.

The “return on investment” for local donors is improved schools that bring value to the entire city. For national donors, the return is the opportunity to seed innovative school district reform. In addition to substantive financial contributions, donors also help The Fund to expand its network. Success can beget additional success; knowing that established local and national foundations as well as corporate donors are engaged with the DOE encourages new donors to get involved.

The Fund regularly strives to engage multiple donors to support an initiative. In some cases this is necessary due to the size of private funding need (for instance \$84 million to support the [NYC Leadership Academy](#) and \$5.5 million for [Selective Schools](#)¹⁹). But engaging multiple donors serves another purpose: the commitment of one donor can help facilitate the commitment of other donors who interpret additional philanthropic partners as yet one more data point regarding the credibility of the initiative. Donors have reported that they appreciate that the “risk” of the investment is distributed across multiple partners in these cases.

The Fund provides opportunities for different levels of giving and strives to ensure that all donors are valued and recognized.

In some cases, The Fund has acted as a facilitator for grants that have gone directly to intermediary organizations that support priority reform initiatives. In these instances, The Fund serves as the liaison between the funder, the DOE, and the intermediary to ensure alignment with the Chancellor’s priorities, but the funding itself goes to the intermediary, not The Fund. One example of this is the *Secondary Schools Initiative*, a comprehensive reform strategy for the city’s high schools that included capacity-building work and the creation of new schools and educational options. Funding from the Bill & Melinda Gates Foundation was granted not only to The Fund, but also to a number of other organizations as well, including Good Shepherd Services, the Young Women’s Leadership Foundation, and New Visions for Public Schools.

In recognition of donors’ variable giving capacity and interests, The Fund provides opportunities for different levels of giving and strives to ensure that all donors are valued and recognized. Smaller donations are channeled to a few select student and school-specific programs, including *Arts SPACE* and *Library REACH*.²⁰

The Fund also provides opportunities for donors who want greater involvement than just their financial contribution. *The Fund works in partnership with the DOE’s New York City Mentoring Program which engages corporations and government agencies in mentoring public school students*. This innovative model of public-private partnership matches businesses and agencies with specific schools and provides support and training for mentors as they navigate the challenges and benefits of the mentor-mentee relationship. The Mentoring Program is not only beneficial to students; it is also an attractive option for corporations looking for ways to engage their employees in volunteerism efforts.

Another example of private entities providing support for the city’s schools beyond financial contributions is the creation of the *Blueprints for Teaching and Learning in the Arts*. These Blueprints provide a standards-based, rigorous approach to teaching the arts in public schools and are widely considered to be a great step forward for arts education in New York City. Their creation was the result of collaboration between educators and representatives of arts and cultural organizations who donated their time and expertise to ensure the most high-quality teaching and learning tools possible. The Fund played a role in raising private funding for the creation of the Blueprints as well as facilitating the relationships between arts and cultural organizations and the DOE.

13 See Initiative Spotlights on page 23.

14 The 2007 R&D Scoreboard, UK Department for Innovation, Universities, and Skills, (2007).

15 The Parthenon Group (2008). New York City Fund for Public Schools: Analysis of Impact Metrics. Boston, MA

16 See Initiative Spotlights on page 23.

17 *ibid.*

18 *ibid.*

19 *ibid.*

20 *ibid.*

OPERATIONS

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Purposeful fundraising and effective matchmaking to form productive strategic partnerships are made possible by an internal structure consisting of a distinguished Board of Directors, location and leadership within the DOE, skilled Fund staffers, an adequate operating budget, and a commitment to accountability.

BOARD OF DIRECTORS

The Board of The Fund is intentionally small and it has experienced minimal turnover since many of its members were first appointed in 2003. The willingness of high-profile New Yorkers to serve on the Board provides the organization with credibility and visibility that would otherwise be difficult to achieve.

The Board of Directors is comprised of prominent leaders from the New York City business and cultural communities. It is responsible for oversight of the organization and members serve as expert advisors in areas helpful to the successful operation of The Fund (for instance, art, media, public relations, and law). In accordance with the bylaws established prior to his administration, Chancellor Klein is the Chairman of The Fund's Board. The Chancellor's position on The Fund's Board brings stature and credibility to the organization, but has also raised some questions about The Fund's independence. Nevertheless, stakeholders reported that his stewardship was unequivocally described as essential to The Fund's success.

BOARD OF DIRECTORS since October 2002

Chris Beale, 2009-present

Michele Cahill, 2002-2007

Charles H. Googe, Jr.,
2005-present

Agnes Gund, 2003-2010

Caroline Kennedy,
2002-present

Joel I. Klein, 2002-present

William M. Lewis, Jr.,
2003-2006

L. Londell McMillan,
2010-present

Richard Menschel,
2003-2009

Wendi Murdoch,
2003-present

Leonard Riggio,
2003-present

Elizabeth Rohatyn,
2003-present

Jeanette Sarkisian Wagner,
2003-present

Mortimer B. Zuckerman,
2003-present

LOCATION AND LEADERSHIP

The Fund is physically located within the DOE's headquarters and The Fund's Chief Executive Officer works closely with Chancellor Klein and his cabinet. Operating within the DOE allows for a seamless interface with DOE personnel, and proximity to the Chancellor is considered a fundamental aspect of The Fund's credibility. It breeds confidence that initiatives supported by The Fund are in fact the district's priorities.

In reflecting on the value of a close association with the DOE and specifically Chancellor Klein, a donor noted that The Fund is: "perceived to be plugged in." Another donor went so far as to say that her organization would not be interested in giving to The Fund if it were not so closely affiliated with the district because *"...being part of the system is [The Fund's] real calling card."*

In 2004, Kennedy stepped back from managing the day-to-day operations of The Fund, but has continued her work as Vice-Chair of the Board of Directors. The current Chief Executive of The Fund is not as high-profile as Kennedy but is a highly skilled, entrepreneurial manager who excels at understanding key priorities, translating those priorities for donors, and successfully winning large gifts. All of which is to note that while prominent advocates and Board members can be an asset when initially building fundraising networks, they do not appear to be *required* to operate, grow, or sustain a successful fund.

FUND PERSONNEL

Fund personnel add value to the DOE by serving as *brokers, developers of strategic partnerships, translators, and administrators.*

Brokers

The Fund principally serves as a matchmaker: strategically pairing interested donors with specific initiatives. As such, stakeholders perceive that The Fund fills a gap that had previously been a barrier to giving. Liz Longley, formerly of Wachovia, remarked, "everyone wants to help public schools but they don't know how. With a behemoth like [the New York City school district], a fund can help people."

As cultivators and managers, Fund personnel are responsible for developing relationships with donors and knowing their individual priorities or interests. In developing matches, The Fund works to align DOE initiatives with donors' key priorities. For instance, The Broad Foundation has acted on its commitment to nurturing leadership by donating \$2.1 million to the *NYC Leadership Academy*. The Michael & Susan Dell Foundation contributed \$2.2 million to *Project Home Run*.²¹ Kevin Byrne of the Michael & Susan Dell Foundation explained that the initiative aligned with the Foundation's priorities: "We were interested for two reasons: We believe in performance management and overall improving systems and infrastructure so that they could provide services to students more effectively. [Project Home Run was] in line with our belief in improving the district overall. Principals and teachers need to be provided with services more effectively so that they can spend more time addressing academic issues."

Wylde reflected: “I see us as a strategic partner... For example, with the *Leadership Academy*, The Partnership played a role in developing the program, serving on the board, bringing corporate leaders onto the board.”

Translators

The Fund translates and decodes the technicalities of education policy for donors who may not have a deep knowledge of or background in the area being discussed. *“It is challenging because we [donors and New York City program personnel] are not always speaking the same language, nor is there always clarity on both what they are trying to communicate or what follow-up is needed,”* said Phoebe Boyer, Executive Director of the Robertson Foundation. “Instead of tracking down five different people individually, The Fund coordinates that. We still want to talk to the individuals doing the work, but The Fund facilitates and handles it for multiple funders. In addition, The Fund can convene multiple stakeholders with varying perspectives – all in a room together – to identify and talk through potential issues that could compromise progress.”

The Fund conducts periodic “funder briefings” to which key donors are invited to the DOE to hear presentations directly from the Chancellor, other administrators, and program managers. During these briefings, DOE personnel review progress to date, share future goals, and provide tangible opportunities for donors to interact with program staff in a setting conducive to discussion and sharing. DOE, Fund personnel, and donors who were interviewed for this paper all identified the regular reporting, and specifically funder briefings, as essential aspects of donor relations and maintenance of strategic partnerships. In fact, one donor noted that she had shared a briefing agenda with another district and was helping the district prepare its first briefing for funders.

Administrators

Reflecting on the administrative procedures established by Fund personnel, multiple donors commented that The Fund makes it “easy to donate” to the district. In fact, multiple national donors bemoaned past experiences in which school districts’ administrative procedures made donating an arduous task. Efficient administrative procedures also help mitigate resistance to overhead fees charged to donors.

OPERATING BUDGET

The DOE makes annual in-kind contributions of personnel salaries, office space, and equipment to The Fund to help offset operational expenses. The salaries of approximately half of the staff are supported in this way by DOE dollars. This allows The Fund to focus its fundraising efforts exclusively on specific DOE initiatives rather than having to raise operating dollars as most nonprofits do.

The remainder of The Fund’s operating budget is derived from two revenue streams: interest income earned on dollars donated and administrative overhead fees drawn from grants. Interest income is generated from conservative investments of donated funds between the time the money is donated and when it is distributed to DOE initiatives. Overhead fees drawn from grants are typically in the range of seven percent, but fees are occasionally negotiated based on the size of the donation. For instance, donors may be asked to pay a fixed percentage fee for donations up to a million dollars and a reduced percentage for anything above this threshold amount.

Reflecting the growing credibility of The Fund, two funders noted that while they had initially opposed the overhead fee associated with their contribution, after working with The Fund, they are now willing to pay it. They explained that they recognized the value of The Fund in terms of managing proposals, ongoing communication, and the accountability Fund staffers provide.

ACCOUNTABILITY FOR DONORS’ DOLLARS

At The Fund, accountability is reflected in a commitment to being a good shepherd of private dollars donated to the DOE. That is, making certain that donors are not giving to a “black box.”

Efforts to infuse accountability are apparent in nearly every step of the fundraising process, from the initial goals outlined in grant proposals to specific performance benchmarks and subsequent reporting of progress. Accountability is also manifested in regular oral and written communication with donors about how dollars are being spent. Communication includes honest assessments of programmatic challenges or shifts that occur as new initiatives evolve from concept to implementation.

In attesting to the importance of accountability, Kevin Byrne of the Michael & Susan Dell Foundation explained that “we have made additional investments that are outside of the core of our investments and that is largely due to our increased confidence in the DOE and also our potential impact. We would not have gotten that far if we did not have the confidence.”

²¹ See Initiative Spotlights on page 23.

Leadership, vision, and internal discipline appear to be absolutely essential to successfully create a vehicle to engage and leverage private investment in public school districts.

CONCLUSION

The Fund for Public Schools is a dynamic organization working in a system widely extolled for its bold approach to turning around school districts in order to improve schools and, ultimately, the lives of the students who attend them.

Looking ahead, The Fund is poised to leverage its successes to accomplish even greater achievements on behalf of New York City’s public school students, but it is also keenly aware that what the future holds is not entirely clear.

Leadership changes will undoubtedly alter The Fund in some manner down the road. Future Mayors or Chancellors may well see the value of a vehicle such as The Fund and continue to explore its potential as a tool for systemic change. If future leaders marginalize the organization, however, its impact could be diminished.

New York City is unique due to its size, but the lessons culled from The Fund’s work in the city have promise for other districts struggling with many of the same challenging issues. Furthermore, while The Fund has benefitted from a policy environment supportive of radical and rapid change, a high-profile Board and executive leadership, a vested business community, and a staff that exhibits a missionary commitment to its work, all of these conditions may not be required to create similar organizations in other districts. Nevertheless, leadership, vision, and internal discipline appear to be absolutely essential to successfully creating a vehicle to engage and leverage private investment in public school districts.

LESSONS LEARNED: CONDITIONS FOR SUCCESS

Lessons reflecting the key conditions for success of The Fund for Public Schools emerged around four broad themes: governance, operations, fundraising strategy, and external engagement.

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GOVERNANCE

Ensure a strong, credible, bold district leader. Strong mayoral leadership, and specifically a commitment to supporting district leadership, builds confidence among corporate and philanthropic donors. Alignment between city and district leadership and explicit accountability for school change and budgets enhances credibility.

Build an influential Board. Board members play a critical role as strategic advisors with expertise and credibility that advance The Fund's mission.

Include Fund Chief Executive in district leadership discussions. The CEO's ability to maintain a clear understanding of the Chancellor's priorities and make certain that the Chancellor's ideas are represented early in discussions with donors builds credibility and fosters long-term relationships between the district and donors.

OPERATIONS

Recruit and retain highly professional staff. Professionals interacting with external donors and internal DOE staff must be skilled at meshing the needs of both the district and potential donors. Hiring "smart generalists" who are passionate about transformative change cultivates a team capable of acquiring broad and deep knowledge of various education programs and translating the programs for corporate and philanthropic donors.

Establish effective communication systems. Fund personnel are expected to decode education initiatives into succinct proposals and maintain ongoing written and oral communication with existing and potential donors. Strong written and oral communication skills are indispensable for Fund staff building bridges and serving as translators between DOE program personnel and the business community. Productive interactions build credibility, which translates into successful fundraising.

Implement transparent accountability processes. Accountability and transparency are central to the operations and success of The Fund; understanding how and where dollars are spent builds confidence that leads to additional and potentially larger donations. Acknowledging occasional challenges associated with new initiatives bolsters credibility.

FUNDRAISING STRATEGY

Initiate strategic and selective fundraising efforts. Setting, and not deviating from, explicit goals and priorities, even when it necessitates saying no to potential donations, reinforces the mission-driven nature of The Fund. Specific priorities have ebbed and flowed but The Fund has not wavered from its core commitment to seed innovation, build capacity, and raise awareness.

Align with district priorities. Donors are willing to take significant risks by investing in new, and arguably somewhat risky, innovations, or alternatively, relatively unglamorous back office systems, if they feel certain that they are investing in the district's highest priorities. Fund proposals introduce broad district goals and guide funders to see how the specific initiative aligns with and supports broader goals.

Develop regular reporting systems. Regular reporting systems, such as regular written reports and in-person briefings, give donors the opportunity to review progress, learn about future goals, and interact with program staff in a setting conducive to discussion and sharing. Such comprehensive reporting systems are crucial to good donor relations.

Cultivate and sustain relationships with funders. Fund personnel are responsible for developing relationships with donors and knowing their individual priorities or interests – therefore precluding the need to conduct cold calls or submit proposals in response to generic calls for proposals.

Engage donors as strategic partners. Established relationships allow Fund personnel to benefit from the expertise donors amass from similar work in other districts. Such engagement requires a commitment of staff time and resources.

Facilitate collaboration among multiple donors. Fund personnel occasionally engage multiple donors to support an initiative. One committed donor can facilitate the commitment of other donors who see their peer's involvement as evidence of the credibility of the initiative.

EXTERNAL ENGAGEMENT

Recognize an established economic base committed to success of public school system. New York City enjoys the benefits associated with access to an established business community with a vested interest in attracting educated employees. Outreach efforts reinforce the importance of investing in public schools.

Promote public asset worth investment. Public schools are an asset that citizens intuitively want to see succeed and feel good supporting. Outreach initiatives can raise the profile of the public schools and foster commitment to the community asset that public schools represent.

INITIATIVE SPOTLIGHTS

1 NYC LEADERSHIP ACADEMY

Established in 2003, the *NYC Leadership Academy* addresses New York City's critical need for transformational school-level leadership. The Leadership Academy *offers comprehensive leadership development programs for aspiring and early-career New York City public school principals.*

By focusing on in-depth data analysis, theories of organizational change, and the development of a deep understanding of how to accelerate learning for students and adults, the Leadership Academy's rigorous programs help participants strengthen their abilities to transform some of the city's highest-need schools.

The Fund for Public Schools helped raise approximately **\$80 million** of critical funding for the Leadership Academy's leadership development and support programs for aspiring and current principals during the organization's first five years of operation. The Leadership Academy has since become a national model for principal preparation and leadership development.

2 MULTIPLE PATHWAYS

Multiple Pathways to Graduation is the DOE's strategy to create new programs that are specifically *designed to meet the unique needs of the population of students who are falling behind in high school and are most likely to drop out.* Multiple Pathways to Graduation will have a tangible impact on the number of students who graduate from high school and go on to college or the workforce.

The Fund for Public Schools raised private funds to support the establishment of the Office of Multiple Pathways as well as capacity-building efforts for transfer schools, GED programs, and other instructional and support strategies for the overage and under-credited population. In 2006, The Fund secured a **\$5.3 million** grant to help launch the Office of Multiple Pathways. The Fund also secured **\$1.35 million** for leadership training and support for 16 new principals who are committed to leading transfer schools – small, academically rigorous schools specifically designed for students at risk of dropping out of high school. This grant created the framework for meeting the DOE's aggressive goal of opening 16 new transfer schools to serve 3,500 students every year.

3 PROJECT HOME RUN

The DOE is New York City's largest employer, and the DOE's Division of Human Resources is home to one of the most far-reaching system-wide reforms: *Project Home Run* (PHR). This initiative reinvented human capital management in New York City's public schools, transforming its human resources function from a transaction-oriented personnel department to an efficient and effective partner in the system-wide reform effort, allowing the district to *recruit, hire, train, and develop the most qualified employees possible.* All reform efforts in New York City are entirely dependent upon having the highest quality instructional leaders in place, and a well-organized, highly functioning human resources department is a critical component of this work.

The Fund raised **\$6.9 million** to support a deep and broad analysis of the state of human resources at the DOE and the design and implementation of the future, re-envisioned state.

4 FAIR STUDENT FUNDING

Fair Student Funding is the DOE's initiative to bring more equity, coherence, and transparency to the old school funding system. Based on transparent formulas that attach a specific number of dollars to each child, Fair Student Funding **allots money to schools based on the number and type of students enrolled**. High-need students (such as students living in poverty, English Language Learners, and Special Education students) are assigned additional dollars so that schools have the resources required to meet these students' needs.

Fair Student Funding is based on four principles:

1. Funding follows each student to the public school that he or she attends
2. Each student receives a base level of funding dependent only on grade level. Students also may receive additional dollars based on their special needs or other factors.
3. The dollars arrive at schools as real dollars – dollars that principals and their teams can decide how to spend – and schools are held accountable for their results.
4. Key funding decisions are based on clear, public criteria.

The Fund raised private dollars to support the research, analysis, and planning required to launch this ground-breaking reform of the public education funding function within the DOE.

5 ARTS SPACE

To help schools enhance their performance facilities or create new arts spaces, *The Fund awards privately-funded Arts SPACE (Supporting Performing Arts and Creative Education) grants to individual schools*. Schools that demonstrate a commitment to arts education can apply for grants of up to \$20,000. Examples of enhancements include the installation of state-of-the-art sound systems and theater drapes in auditoriums; the purchase of choral risers and lighting equipment; and the installation of new flooring, barres, and mirrors in dance studios.

6 LIBRARY REACH

The Fund's *Library REACH* (Revitalizing Education for Adolescents and Children) program **awards privately-funded grants to public schools with low-income populations to upgrade and enhance their libraries**. Through this competitive grant-making program, public schools can apply for up to \$10,000 to improve their libraries. Librarians can use Library REACH funds in a variety of ways – from the purchase of a new fiction collection to the creation of a cozy reading nook to make their library more inviting for students. Many librarians bring their libraries into the 21st century with new technology, including computer labs, SMART Boards, and DVD collections.

In addition to Library REACH, The Fund also gives grants ranging from \$25,000 to \$100,000 to schools that are in need of more substantial library improvements.

7 SELECTIVE SCHOOLS

New York City is home to a small number of academically **selective schools** that provide the city's top-performing students with a rigorous high school experience in which they are challenged to think critically and explore new academic interests and extracurricular activities. To expand the pool of options for academically gifted students and to reach more high-achieving students in underserved communities, the DOE **committed to opening seven new academically selective secondary schools**.

The Fund for Public Schools worked with several donors to support the development of these new selective schools. Their gifts were instrumental in launching the schools; funding school design, curriculum, and projects such as state-of-the-art science labs and libraries. These new selective schools have joined the ranks of some of the country's most highly regarded public schools, including the Bronx High School of Science, Brooklyn Technical High School, and Stuyvesant High School, and are located throughout the city, increasing access to selective schools for all students.