



## A Story of Civic Investment in Public Education

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*“Patient philanthropy” in support of public education funds provides the means for community members to invest in their schools and has led to dramatic reforms and a renewed civic commitment to democratic values.*

Nearly thirty-five years ago, a woman in San Francisco named Gladys Thatcher had an idea. She knew that teachers had creative ideas to improve classroom teaching and learning, but to implement them they had to reach into their own pockets. So she created a small fund to provide grants to teachers with worthwhile ideas, believing that

others would soon see the value of this mechanism. She recruited more and more people, including civic leaders, to contribute to the fund and, most importantly, she asked them to read teachers’ applications, so they could see the creativity and energy in the San Francisco schools. Word spread, and the number of teachers who submitted proposals for mini-grants grew so much that Gladys transformed her idea into the San Francisco Public Education Fund.

Across the country in Pennsylvania, David Bergholz had a similar idea. David led the Allegheny Conference,

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a business group in Pittsburgh. He knew that a strong education system was essential for a thriving democracy and a vibrant economy. Like Gladys, he knew that teachers had ideas for improving schools, so he also created a fund to provide grants for innovative instructional projects. And just as the Public Education Fund of San Francisco had done, the Allegheny Conference Education Fund attracted contributions for school improvement and strengthened the ties between civic leaders and the public schools.

At around the same time, I was working at the Ford Foundation and looking for ways to restore positive connections between communities and schools. We saw that in too many places civic leaders had lost confidence in public schools and that this disconnect put the schools at risk for civic underinvestment. Ford had always seen good public schools as central to a diverse democracy and as crucial components of healthy communities. Independent school foundations like the ones created by Bergholz and Thatcher represented a concept we found appealing. Although we did not know exactly what we could accomplish, we wanted to support the innovation and its leaders. So we began giving money to strengthen several new funds like these that could serve as examples for the rest of the country.

These proved enormously successful, so Ford and the funds' leaders began to think about ways to speed replication in more and more states and cities. To do so, we created a national organization that would nurture the development of local education funds – in 1983, the nationally focused Public Education Fund was born. David Bergholz agreed to direct it for what we expected would be a five-year life span, during which time we hoped for maybe twenty or more new organizations to emerge. Bergholz skillfully

offered matching grants, tough love, and technical assistance to local innovators in and around the schools, and all sought to have self-sufficient organizations so his national organization could go out of business by year five.

How wrong our expectations were! The local funds (local education funds, or LEFs) did grow throughout the country and did gain financial independence, but they insisted that they still needed a strong national organization to help them work out problems, give advice, exchange best practices, and begin to forge a shared voice in educational reform. And so the national organization transformed itself into Public Education Network (PEN), led brilliantly by Wendy Puriefoy. PEN flourished, as did its member LEFs, a large number of other independent school foundations (public education funds, or PEFs), and, more broadly, other nonprofit organizations that support public education in many ways (education support organizations, or ESOs).<sup>1</sup>

How many ESOs are there? When the National Commission on Civic Investment in Education (of which I was a member) asked the Urban Institute to investigate, they found 19,000! And that was in 2007, the most recent year for which data were available. In that year, these organizations collectively spent \$4.3 billion on activities to support public education and worked with schools serving 20 million children (de Leon et al. 2010). Only a small minority of these organizations .....

1 The Urban Institute report *Who Helps Public Schools?* (de Leon et al. 2010), defines ESOs as tax-exempt nonprofits that are set up to support public education; PEFs as those ESOs that primarily assist schools and districts; and LEFs as those PEFs that are members of PEN. See the sidebar on nomenclature in Wendy Puriefoy's article in this issue of *VUE* for a more detailed definition of ESOs, PEFs, LEFs, and other terms.

were PEFs, but they all focused on local school improvement and began to explore working together around such matters as best practices, relations with school systems, and fundraising techniques. It was suddenly clear that the PEFs represented a huge force for school improvement across the nation, as yet not fully realized. Their capacity derived from their local footing, national linkage, and the support of parents, teachers, and civic leaders.

To realize their national and local potential, the local funds needed to be clearer and more vocal about their role in school reform and how they were accountable to their communities. Being publicly accountable for operations and results would make them more influential in the complex environment around schools that our democracy has produced – and if this accountability and power were put to use to express the shared vision of parents, educators, and civic leaders, the local funds would reinforce confidence in our democratic system. So they needed to base their accountability on a set of standards that established high performance goals and a commitment to report to the public on progress. The National Commission on Civic Investment, a PEN-inspired coalition of local fund managers, scholars, educators, and policy leaders, came together to create these standards, and having done its work is now engaged in publicizing them and helping the local funds get started on broad implementation. The standards will guide the PEFs' work for years to come.

Why is this still-unfolding story significant? Because it holds several ideas for consideration by the nonprofit community, by people concerned with educational reform, and by philanthropists. The evolution of the PEFs and their work provides real-time examples of self-regulation in the sector, opportunities for those interested in

educational improvement to make both financial and civic investments in their communities, and the role of “patient” philanthropic money.

## SELF-REGULATION

Let's start with the self-regulation aspect.

Private, nonprofit organizations play crucial roles in American society. As Tocqueville noted nearly two centuries ago, from its earliest days the United States relied on community-based organizations to engage its people in public life and to undertake some public responsibilities. As a result, nonprofit organizations today do everything from providing health care to protecting the environment to supporting public schools – and much in between. In recognition of the critical role such organizations play in public life, the federal government exempts them from taxation.

But for the most part, oversight of the sector has been relaxed, probably because the overwhelming majority of nonprofit organizations provide good service. However, we all know of instances in which some organizations, or individuals within them, behaved unethically or illegally. We all also see that the bad actions of a few can damage the entire sector's reputation. So there is growing recognition that we need better mechanisms for oversight and accountability.

In 2004, following some well-publicized cases of abuse by nonprofits and donors, the U.S. Senate Finance Committee asked leaders of the nonprofit sector to develop principles for good governance and ethical practice. While new laws might be necessary to guard against some abuses, policymakers encouraged the sector to govern itself and abide by mutually agreed-upon principles. The national organization, the Independent Sector, created the Panel

on the Nonprofit Sector (on which I served) in the wake of the Senate committee’s request. As the panel put it:

The best bulwark against misconduct will always be a well-informed vigilance by members of the nonprofit community themselves, including a set of principles they could adopt, promote sectorwide, and improve over time. These principles should be clear enough to be practical and readily implemented in a wide variety of organizations, but flexible enough to allow each organization’s governing board and management to adapt them to the dictates of that organization’s scope and mission. Widespread use of such principles would enable organizations to improve their operations by learning from each other. Critically, it would also provide a common yardstick by which members of the public can evaluate how to direct their support. (Panel on the Nonprofit Sector 2007, p. 3)

When the National Commission on Civic Investment in Public Education set out to frame its standards for 19,000 ESOs, the principles the panel developed formed the basis of their proposals. The new standards for local education funds are grouped into five areas – *Mission and Programs, Evaluation and Transparency, Responsible Stewardship, Legal Compliance, Personal and Professional Integrity* – each of which has clear and detailed goals (National Commission on Civic Investment in Education 2011).<sup>2</sup>

The Panel on the Nonprofit Sector spurred this process, with the result that a group of organizations voluntarily came together to raise the performance bar and encourage the

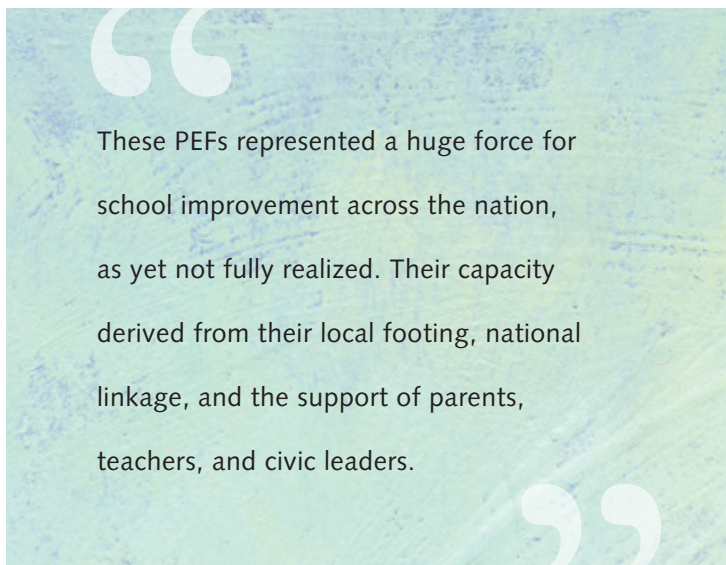
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2 See the sidebar “Ensuring Public Trust” in the article by Richard Riley and Linda Darling-Hammond in this issue of *VUE* for a summarized version of the standards.

best practices in public accountability. Of course, promulgating standards is one thing. We will now see how well the PEFs proceed, with the help of PEN and the National School Foundation Association,<sup>3</sup> to implement and use them. But the first steps at self-regulation have been taken and they appear quite promising.

## CIVIC INVESTMENT AND DEMOCRACY

Now let us turn to the broad topic of educational reform in our democratic system. The growth of PEFs has demonstrated that the original concept that generated them – the innovation of Gladys Thatcher and David Bergholz – was absolutely correct. These organizations have proved themselves as important vehicles for civic investment in public education.

At one level, this has meant “investment” in the conventional, financial



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3 The National School Foundation Association is a national association with over 1,000 PEFs as members. For more information, see the sidebar by Jim Collogan in Erwin de Leon’s article in this issue of *VUE*.

sense; PEFs have enabled individuals to pool their financial contributions into investments in the public schools. Just as mutual funds enable individual investors to contribute to the capitalization of a wide range of firms, PEFs have allowed citizens to make relatively modest contributions that collectively add up to major boosts of support for schools and teachers.

But PEFs have also contributed to civic investment in a broader sense. For one thing, they have enabled community leaders to take an active role in public education through a new mechanism that is independent of but deeply connected to the school system. Just as Thatcher and Bergholz found when they asked leading citizens to evaluate proposals from teachers, PEFs across the nation helped civic leaders see inside schools. They, in turn, discovered that schools are filled with creative and hardworking teachers and school leaders who are making a real difference in the lives of children. This involvement has strengthened the PEFs because PEFs' governing boards include civic leaders who insist that the PEFs reflect community values and priorities.

Community leaders, through PEFs, also lend their expertise to support schools. And these efforts are leading to real improvements. The efforts of a number of PEN's LEFs provide examples. For example, the Boston Plan for Excellence has been a close partner of the Boston Public Schools, working with the school district to develop a number of supports, such as a residency program, akin to medical residencies, for prospective teachers that has been replicated in several other cities, something the district could not have developed on its own. Similarly, the Public Education Fund of Chattanooga, Tennessee, has provided expertise in data collection and analysis that strengthens that district's ability to make data-informed decisions and improve teaching and learning. New

Visions for Public Schools in New York City created 133 new high schools and now works as a support organization for seventy-six schools, which have a higher graduation rate than other city schools and are narrowing achievement gaps. The Mobile Area Education Foundation led a campaign to engage community members in a community-wide visioning for the school system. This effort led to the first tax increase for schools in more than four decades (Akers 2005). The school district could not have done this on its own.

In these and other ways, PEFs have been exceptionally important investments in democratic participation and community civic engagement.

## PATIENT PHILANTHROPY

Finally, we should consider the role of patient philanthropy in this story of self-regulation and civic investment in education. The decision to invest in PEFs was not what you commonly see in foundation decision making. Often, philanthropies require a clear theory of action, where a set of steps is expected to lead to a measureable outcome. Some find it hard to consider the creation of *institutions*, especially where the organization's goal is civic and community engagement, rather than a clear set of deliverables or explicit outcomes.

But Ford wasn't stymied by these concerns. Its values and history connected with the idea that democratic participation and decision making, fortified by performance accountability, are essential if public education is to survive. PEFs had strengthened democracy and education by providing an avenue for citizens to get involved in their local schools and resources for them via a new set of independent organizations.

PEFs' efforts have strengthened the capacity of school systems and made possible dramatic reforms that have en-

riched the lives of many children. The local funds and their donors, including the Ford Foundation, did not start with a program that they wanted to apply in the schools; rather, they worked patiently and closely with school system innovators to see what the needs were and developed the necessary knowledge and skills to provide needed assistance. Since school systems often suffer from rapid turnover in leadership, PEFs have also fostered institutional stability. They took ideas and stayed with them, even as the winds of change buffeted the school systems.

But the advances PEFs can claim don't come on a schedule, and they don't come as a result of a tight business plan. They require patience, donor flexibility, and a belief in the core function that takes time to gain traction. Such funding isn't for every donor, especially those who demand near-term, dramatic results. This is a role for patient money and confidence in the creative abilities and dedication of leaders outside the donor institution. I hope the example of this work underscores the need for some number of long-term and non-directive donors committed to building organizations and networks like the more than 2,000 PEFs, including PEN's 77 LEFs, that now reach across America. This can be a very satisfying and important form of philanthropic giving.

## TOWARD DEEPER CIVIC INVESTMENT

This is a challenging time for public education. Budget reductions from Maine to California are leading to cuts in school programs, teacher layoffs, and reductions in summer school and after-school programs. At the same time, the sluggish economy is making it difficult for community members to invest in schools as they might in more prosperous times. And a long history

of failed school reform effort has left a jaundiced public wary of investments in new strategies.

But the story of the success of PEFs ought to give us hope. Over the past twenty-five years, through good economic times and bad, these organizations have made it possible for community members to invest in their public schools and strengthen them. They have strengthened democracy by fostering citizen participation and organizational accountability. And they have made a difference in the lives of millions of children.

The need for civic investment is particularly acute now. Schools are under pressure to produce greater results than ever before, at a time when the population of students who have been historically underserved is growing. Only with the support and involvement of community members and innovators within the schools can schools reach this goal. Let us hope that more donors see and invest in their capacities – and also provide the patient philanthropy to build and strengthen such organizations and their abilities to self-regulate.

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## CIVIC INVESTMENT AND PUBLIC EDUCATION FUNDS

**Jim Collogan**

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Since 2001, the Fort Thomas Education Foundation in Fort Thomas, Kentucky, has provided \$366,000 in teacher grants. In 2011-2012 alone, the Foundation is providing the schools with \$28,000 for technology and supplies. These funds represent a significant boost for the district, which has five schools (one high school, one middle school, and three elementary schools), 2,600 students, and 184 teachers.

The Fort Thomas Education Foundation is fairly typical of the more than 1,000 public education foundations (PEFs) that are members of the National School Foundation Association (NSFA).<sup>4</sup> PEFs' partnering districts range from small rural districts to sprawling suburban schools to large urban districts. The PEFs raise between \$100,000 to \$250,000 per year, employ part-time staff, often shared with their partnering school system, and utilize on average more than 100 volunteers yearly in their fund-raising efforts. They are also fairly young; most began operating during the past ten to fifteen years.

For the PEFs that are part of the NSFA, the work of the National Commission on Civic Investment in Education,<sup>5</sup> convened by Public Education Network (PEN) and on which I served, is extremely valuable. Because these organizations are relatively new with small staffs, they have spent most of their time getting up and running and raising funds. They have had little time to ensure that organizational guidelines are in place. Having standards for their operations and resources to help them implement those standards will help ensure that they remain strong and vital in their communities.

The standards will also help ward against malfeasance. Unfortunately, there have been instances of embezzlement in PEFs; in two cases, in Nebraska and Utah, as much as \$1 million in donated funds were lost. PEFs will benefit from checks and balances.

PEFs also can learn a lot from the experiences of local education funds (LEFs, or PEFs that are members of PEN) that were expressed in the Commission's deliberations. In

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4 See the sidebar on nomenclature in Richard Riley and Linda Darling-Hammond's article in this issue of *VUE* for definitions of PEFs, LEFs, and other terms.

5 See Wendy Puriefoy's and Richard Riley and Linda Darling-Hammond's articles in this issue of *VUE* for more information on the work of the Commission.

contrast to other PEFs, LEFs tend to be larger and play more of a role in advocacy.<sup>6</sup> Smaller PEFs are not in a position to push for changes in school district policy. However, all PEFs can – and should – make sure that there is transparency and accountability for the funds they provide. They should expect, at the least, a report on how the funds are spent.

That does not mean that the funds should zipper the bag if their contributions are not used as intended. But the funds can make sure that districts disclose their use. After all, donors should know that what they contribute to school districts actually was used for its intended purposes. That is what private foundations and government agencies do all the time.

The standards of practice for PEFs should go a long way toward ensuring that funds are transparent, accountable, and operating in the interest of their donors and communities. PEFs are an important way for community members to provide a civic investment in their schools. All of us have an obligation to ensure that they operate effectively and ethically.

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6 See de Leon et al. 2010 for more on the differences between LEFs and other PEFs.

# VUE

This article is from *Voices in Urban Education* 32 (Winter 2012), “Civic Investment in Public Education,” produced collaboratively by the Annenberg Institute for School Reform and Public Education Network (PEN) and based on the work of PEN’s National Commission on Civic Investment in Public Education and on its 2011 report *An Appeal to All Americans*. VUE 32 is available online at <http://annenberginstitute.org/VUE> and [www.publiceducation.org/national\\_commission](http://www.publiceducation.org/national_commission). *An Appeal to All Americans* is available online at [www.publiceducation.org/pubs\\_20110526\\_report.asp](http://www.publiceducation.org/pubs_20110526_report.asp).