Last February, in a speech in Washington, D.C. that drew 45 of the nation’s governors as well as a hefty sample of the nation’s education policy elite, Microsoft chairman Bill Gates issued a jeremiad on the state of the American high school, arguing that this venerable institution is obsolete and a threat to the nation’s economic and political well-being. Declarations that public education in general and high schools in particular turn out badly prepared graduates, perpetuate inequities, and generally operate in ways that run counter to the nation’s interests have become almost commonplace. But coming from Gates, whose prodigious wealth and aggressive tactics have become one of the nation’s best-known narratives of entrepreneurship, the words took on new meaning. Stories in the New York Times, Los Angeles Times, Washington Post, and many other newspapers, most written not by education reporters but by Washington-based political and legislative correspondents, reported Gates’s assertions in an unquestioning, almost awestruck tone that made one thing clear: if high schools are bad enough for Bill Gates to declare them a disaster, then it must be so.

It was publicity that even the world’s richest man could not buy.

But Gates’s standing to speak authoritatively on the issue rested on more than his wealth, celebrity, and business acumen, or even his company’s need to hire well-trained workers. Through the efforts of his richly endowed Bill & Melinda Gates Foundation, Gates has become an unparalleled force who is not only sounding the alarm about America’s high schools, but is also putting forth, and financing, a range of specific solutions. Since 2002, the Gates Foundation has allocated more than $1.2 billion toward creating about 820 new high schools and breaking down about 750 large, comprehensive high schools into smaller, more focused, more intimate academies that aim to send far more students off to college prepared to succeed. The foundation is also the lead partner in a $125 million experiment in “early college” high schools, which are designed to enable 9th graders to get their high-school diplomas as well as two years of college credit, all within four or five years. To increase the impact of its initiatives, the Gates Foundation has involved 13 other foundations and is working with more than one hundred intermediary organizations in two hundred cities located in almost every state. The foundation’s goal is ambitious: to improve the national graduation rate to at least 80 percent,
from about 65 percent, while increasing the likelihood that all high-school graduates are college-ready. So, more spending, in more places, is likely on the way.

The Money Pours In

American philanthropy, by local and national foundations, corporations, and wealthy individuals, has played many important roles in K–12 education: creating new schools, underwriting research, funding scholarships, testing hypotheses, generating new curricula, invoking ideals, setting agendas, bolstering training, and building a case for policy changes. Foundation money is so widespread, and so sought after, that few in education are unaffected. Indeed, institutions with which both this author and this journal are affiliated receive support from several foundations mentioned here.

Nothing about this is new. Thousands of schools for African American students across the Jim Crow South were built with the backing of the Rosenwald Fund, one of the earliest and most important foundations in education; philanthropist Grace Dodge founded Teachers College, now at Columbia University, in 1887, which led to training of teachers in pedagogy; the Ford Foundation was involved in promoting the employment of classroom aides, National Merit Scholarships, and the development of Advanced Placement curricula and tests; the National Board of Professional Teaching Standards grew out of work funded by Carnegie Corporation of New York, which also funded the Educational Testing Service to develop objective ways of measuring academic merit, which led to the SAT. More recently, Ford and the Rockefeller Foundation supported the work that led to equity lawsuits, dramatically altering how schools are funded in many states. Even if the $1.5 billion that philanthropists spend on K–12 education is paltry compared with the $450 billion annual price tag for the system as a whole, all of these are examples of the huge impact that well-placed philanthropy dollars can have (see Figure 1).

Even though some foundations have reduced their involvement in K–12 education or shifted their education investment to prekindergarten or afterschool programs, far more philanthropists are entering the scene than are leaving, says Bill Porter, executive director of Grantmakers for Education.

Indeed, according to the Future of Philanthropy project, an analysis done by a Cambridge, Massachusetts, consulting group, the number of foundations involved in education is expected to swell. Over the next two decades, Americans will pass on to their heirs huge sums, approximately $1.7 trillion of which will go to charities and to endow foundations. And, typically, about 25 percent of philanthropic dollars goes to education, although more goes to higher education than to elementary and secondary schools. Gates, just to use one example, has a personal net worth estimated by Forbes magazine to be $46 billion, and he has vowed to give away 95 percent of his assets during his lifetime.

Typically, about 25 percent of philanthropic dollars goes to education, although more goes to higher education than to elementary and secondary schools.

The New Philanthropists

Plenty of other heavyweights in the world of business are contributing heavily to education causes already. They include Jim Barksdale, the former chief operating officer of Netscape, who gave $100 million to establish an institute to improve reading instruction in Mississippi; Eli Broad, the home builder and retirement investment titan, whose foundation works on a range of management, governance, and leadership issues; Michael Dell, the founder of Dell Computers, whose family foundation is valued at $1.2 billion and is a major supporter of a program that boosts college going among students of potential but middling accomplishment; financier and buyout specialist Theodore J. Forstmann, who gave $50 million of his own money to help poor kids attend private schools; David Packard, a former classics professor who also is a scion of one of the founders of Hewlett-Packard and has given $75 million to help California school districts improve reading instruction; and the Walton Family Foundation, which benefits from the fortune of the founder of Wal-Mart, and which is the nation’s largest supporter of charter schools and private school scholarships (see “A Tribute to John Walton,” p. 5).

As is clear from this partial list, many of the newcomers are in the West, or otherwise far from the old-money power centers of the East. A number of the individual donors did not come from money, but attended public schools before amassing their fortunes. As a group, they share a belief that public education has not done well by immigrants or poor students, hardly a radical claim. But they are less likely than were donors in the past to think that the solution to that problem lies solely or even primarily in spending more money or even in making the allocation of resources more equitable, which has been a common thread in work that many better-established foundations have pursued.
The San Francisco-based Pisces Foundation, for example, was endowed by Donald Fisher, founder and chairman emeritus of the Gap clothing chain, and his wife, Doris. By 2005 Pisces was the biggest single supporter of Teach for America, a nonprofit that has, improbably, made teaching in poverty-ridden urban schools one of the most popular career choices of students at Ivy League colleges. Pisces also gave about $35 million to fund the national expansion of the instructionally demanding Knowledge Is Power Program charter schools, which serve mostly low-income students. Overall, the foundation is spending about $20 million a year to “leverage change in public education—especially in schools serving disadvantaged students—through large strategic investments in a small number of initiatives that bolster student achievement.” That rate of spending was about the same as that of the venerable Carnegie Corporation and would have put the foundation in the top ten or so givers to K–12 in 2002. (See Table 1).

Like Fisher, other new philanthropists tend to believe that schools, in addition to securing adequate financial resources, need to embrace accountability and to overhaul basic functions. Many are personally involved in overseeing the grants they give and they insist on results from educators and schools. They believe good leadership, effective management, compensation based on performance, competition, the targeting of resources, and accountability for results can all pay dividends for education as well as for foundations. They tend to set ambitious goals for their own work and to be aggressive in pursuit of their agendas. That, too, is something of a departure for philanthropists, who have tended to stay in the background and let their grantees set their own goals while they bask in the spotlight.

“These are people who made money challenging the status quo,” says Barry Munitz, president and CEO of the J. Paul Getty Trust, referring to the new givers. “These high net worth, first-generation folks…approach their gift-giving the way they approached their investing—due diligence, measures of accountability, a lot of involvement, each with an agenda. It’s very different from spending money on the system and standing back and letting it work.”

But it’s not always easy for foundations to manage the trade-offs between aggressively pushing school districts in a certain direction and respecting the wishes of a community and its leadership; between demanding quick results and acknowledging the complexity of school reform and the intransigence of bureaucracies; between investing in something new and injecting operating resources into a project already under way. In thinking about these dilemmas, many in the philanthropic world continue to cite the 1993 Annenberg Challenge as an example of what they want to avoid.

The $500 million challenge issued by former ambassador Walter Annenberg is still the largest philanthropic gift ever given to American public education. After being matched by more than $600 million in goods and services from the local communities that were recipients, the money was given to nine large city school systems, a consortium of rural schools, and two national school-reform groups, among others. In some ways, the amount of money involved was both too much and too little. Some have said the money was doled out with far too little oversight by the foundation. But others contend that, in the foundation’s effort to affect a number of communities, its impact was diluted.

“We spread ourselves too thin,” remarked Harold Williams, president emeritus of the J. Paul Getty Trust and a board member of the Los Angeles organization that was spawned by the Annenberg grant. “If we had taken on fewer school families and focused our dollars and human resources on those, we would have accomplished more.”

Guilbert C. Hentschke, dean of the school of education at the University of Southern California, one of the main partners in the challenge, is now studying the impact of philanthropy on education. He says that the Annenberg grant met “the
classic definition of a professional reform,” meaning that it mostly paid for more of what already was going on in the schools. For the most part, he says, “The school districts and the schools gobbled up those grants like lunch, and they were ready for the next one.” What may have been needed instead, Hentschke says, was a “radical” reform that started with an empty slate and redesigned the most basic operations of the schools. Many of the leading donors today are trying to figure out how to do just that.

Gates Foundation officials are also aware that, unless public money takes over when private money goes away, the innovative approaches the foundation is fostering will disappear with little impact.

High Schools
The Gates Foundation has attempted some of that reimagining with its high-school initiative, which brought together other philanthropies, including Carnegie, the Open Society Institute, Annenberg, the W. K. Kellogg Foundation, Walton, and Ford. Carnegie alone has put in $60 million for its Schools for a New Society high-school redesign effort, which aims to overhaul all the high schools in a district. “We’re not ideological about attacking the problem,” says Tom Vander Ark, who is in charge of the Gates Foundation’s education work. “We’re trying to attack it in many different ways.”

Gates Foundation officials are also aware that, unless public money takes over when private money goes away, the innovative approaches the foundation is fostering will disappear with little impact. “In the narrowest sense, it’s a $10 billion to $20 billion problem that we’re attacking, and over time we might contribute a tenth of the solutions it will require,” Vander Ark says. “It would be difficult, impractical, expensive, and ineffective for us to do this work ourselves.”

Leadership, Management, and Governance
By the end of 2004, the education foundation established by Eli Broad and his wife, Edythe, had assets worth $540 million. The foundation has already committed some $135 million to overhauling fundamental aspects of urban school districts: identifying new sources of talent for positions of authority; developing alternative training methods for managers, principals, and teachers union leaders; creating new tools for analyzing performance data; and working with school boards to help those sometimes obstructionist bodies become more focused on student learning than on petty power plays. Broad, whose fortune is variously estimated at between $4 billion and $6 billion, is in his 70s, and he too plans on giving away most of that amount during his lifetime. Most of it will go toward K–12 education causes, according to Dan Katzir, the education foundation’s managing director.

The foundation supports a number of what Katzir calls “branded flagship initiatives,” such as the Broad Center for the Management of School Systems or the Broad Institute for School Boards. Its largest investment is a $20 million-plus stake in SchoolMatters.com, a project of Standard & Poor’s School Evaluation Services unit that marries information about how schools spend their money with academic indicators.

Another major foundation that has invested heavily—even more so than Broad—in improving the skills of principals and superintendents is the Wallace Foundation, which was established by DeWitt and Lila Acheson Wallace, the founders of the Reader’s Digest Association. In 2000 the foundation committed $150 million over five years to improving leadership at the school and district level and is now underwriting in 24 states a wide variety of programs: leadership academies, university-school district partnerships, research, changes in what it takes to become certified as a principal, and superintendent training. Wallace and Broad, as well as Annenberg and Gates, also are underwriting the New York City Leadership Academy, a very expensive undertaking that pays aspiring principals full salaries as they train for a year to take jobs heading up schools in the city.

The Wallace Foundation’s Richard Laine emphasizes that it is not enough just to improve the training of principals. Put a well-trained leader in a bad system, he’s fond of saying, and “The system will win every time.” What’s needed, he says, are policy changes, giving the best teachers incentives to go into the most demanding schools and allowing principals to have more control over hiring and evaluating teachers and more flexibility and control over their budgets.

Teaching
Improving teaching has long been high on the agenda of many foundations. “It really all boils down to good teaching,” says Janice Petrovich of the Ford Foundation. “If you can figure out how to do that, you’ll make a difference.”
That, however, turns out to be difficult for foundations to do well and even more difficult to sustain. Foundations actively working on this front today have a wide variety of strategies for making a difference. Some of these might be categorized as efforts to build the capacity of the current system by simply paying for professional development sessions on particular topics; others might be thought of as attempts to change the system by developing new approaches to hiring, compensating, and evaluating teachers. Ultimately, Petrovich says, increasing the capacity of the system changes the system. But foundations often are reluctant to work inside classrooms to help teachers, for fear that they won’t have a systemic impact; at the same time, to make a difference broadly, foundations have to fund projects over which they have little control.

One of the most ambitious efforts to improve teaching is called Teachers for a New Era, a $65 million project underwritten by four venerable foundations: Carnegie, which initiated the effort and has the largest stake; Annenberg; Ford; and the Rockefeller Foundation. As of 2003, 11 education schools had received five-year grants to develop teacher-preparation programs that mimic the kind of clinical training that doctors receive as residents and that pay more explicit attention to the effect of the training on student learning. The grants must be matched locally.

The Milken Family Foundation has spent well over $100 million to make teaching more attractive by recognizing achievement and pushing districts to base pay on performance. The foundation’s Teacher Advancement Program, which provides training opportunities to help teachers climb a career ladder toward higher salaries based on their performance, is now in place in 85 schools and is poised for a major expansion, with states and the federal government offering financial support.

“We are hell-bent on figuring out a way of creating the proper incentives and putting them into practice to attract talented people into the profession,” Lowell Milken says.

Another foundation committed to improving teaching is the William and Flora Hewlett Foundation, where Marshall Smith, a former acting deputy secretary of education in the Clinton administration, heads up education reforms. The former dean of the Stanford University School of Education, Smith is perhaps the leading proponent of what’s known as “systemic” reform in education. He says that about half of the

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**Smart Money? (Table 1)**

Of the 15 foundations that gave the most, a majority of their giving constituted little more than donations to the current public education system (lower-leverage). But $235 million was spent on higher-leverage efforts to alter the public school system through major interventions such as small schools, charter schools, and vouchers.

<table>
<thead>
<tr>
<th>Foundation</th>
<th>Higher leverage</th>
<th>Lower leverage</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill &amp; Melinda Gates Foundation</td>
<td>111</td>
<td>135</td>
<td>246</td>
</tr>
<tr>
<td>Walton Family Foundation</td>
<td>68</td>
<td>10</td>
<td>78</td>
</tr>
<tr>
<td>Annenberg Foundation</td>
<td>9</td>
<td>31</td>
<td>40</td>
</tr>
<tr>
<td>Carnegie Corporation of New York</td>
<td>6</td>
<td>19</td>
<td>25</td>
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<tr>
<td>Lilly Endowment</td>
<td>5</td>
<td>18</td>
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<tr>
<td>New York Community Trust</td>
<td>8</td>
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</tr>
<tr>
<td>Ford Foundation</td>
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<td>17</td>
<td>21</td>
</tr>
<tr>
<td>W. K. Kellogg Foundation</td>
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<tr>
<td>William and Flora Hewlett Foundation</td>
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<tr>
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<td>Goizueta Foundation</td>
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<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>235</strong></td>
<td><strong>336</strong></td>
<td><strong>571</strong></td>
</tr>
</tbody>
</table>

$36 million or so he has to spend on K-12 education annually goes to “trying to figure out ways of improving instruction in inner-city schools.”

Academic content and performance standards are now well ingrained in American public education, Smith believes. But the standards movement that he had a hand in launching “really doesn’t touch the classroom in a deep way. What’s arisen in the past five or six years as an issue is the quality of the teacher and whether we have the capacity and smarts and knowledge to improve that.”

School Choice
During the past decade, the nation’s foundations have become major champions of school choice, supporting the development of charter schools and, to a lesser extent, the financing of vouchers to pay for private school tuition for low-income students. Indeed, it seems that many of the major foundations involved in education are backing charter schools in one way or another, either by supporting individual sites or by financing research or advocacy designed to promote policies friendly to charters.

Broad has nine separate school-choice initiatives. A significant number of the high schools Gates is supporting are charter schools. The Annenberg Foundation gave more than $10 million to underwrite an architecturally daring building for the Accelerated School, a highly successful charter school south of downtown Los Angeles. Financier Theodore J. Forstmann, along with the late John Walton (see “Tribute,” p. 5) each gave $50 million to start the Children’s Scholarship Fund, which subsidizes private school tuition for low-income students. In 2001, according to the Foundation Center, the Fund was the ninth-largest recipient of charitable donations in the area of K-12 education, and in 2002 it was the top recipient. Forstmann and Walton helped raise another $70 million for scholarships from donors that included Broad, former Hollywood super agent Michael Ovitz, and supermarket mogul Ronald W. Burkle.

Since 1998 the Walton Family Foundation started by Sam and Helen Walton, the founders of Wal-Mart, has given an estimated $284 million to K-12 education, the bulk of that to support charter schools and private school scholarships for low-income students. The foundation is by far the biggest donor to school choice-related causes and has helped support, by one estimate, 10 percent of all the nation’s charter schools. “Our theory is that competition in a high enough degree will eventually create competitive pressures to encourage the existing systems to really try and compete,” says Buddy Philpott, the foundation’s executive director.

Can Philanthropy Make a Difference?
It is often difficult to tell whether a foundation is making a difference. Outside of evaluations paid for by the foundations themselves or even done internally, philanthropy often receives little scrutiny, and philanthropists are often treated like celebrities. Frederick M. Hess, an editor of this journal, analyzed press coverage of leading philanthropies involved in education for the publication Philanthropy. He concluded that journalists rarely criticize foundations on substantive issues and are far more likely to laud them than to question their strategy or their impact.

Were journalists or others to attempt it, though, it is probably easier now than in the past to determine the impact of philanthropy. That’s because, in response to the national push for academic standards and accountability, movements fueled by philanthropy, states now are required to test students and report on the results. When the Annenberg Challenge was being evaluated, for example, the use of test scores as one measure of the grant’s effectiveness met resistance in many cities where it operated. Today, it is expected that changes in test scores will be factored into the evaluations of interventions.

But some worry that demanding rapid test-score gains from foundation-backed reforms could lead to the abandonment of promising practices before they have a chance to prove themselves. That is why foundations such as Gates and Broad and others are trying to be strategic in the degree to which they rely on test scores as indicators of progress and are also monitoring a number of other changes including graduation rates, attendance, and qualitative changes.

Needless to say, there is a rich history of success and failure to learn from. In 1972 the Ford Foundation published a remarkably frank critique of its own education reform efforts during the 1960s. Called “A Foundation Goes to School” and written by Ed Meade, Ford’s longtime education program officer, the report observed that the projects the foundation supported “underestimated the complexity of improving
schools” and did not fully account for the difficulty of working with unions, community leaders and parents, or the effect of broader social conditions. Foundations can’t impose their view of how the district should operate, in what Marshall Smith calls a “mega-reform.”

The challenge for foundations, then, is not to create the initiative that will work precisely as planned. The challenge is to use a variety of strategies—investment, capacity building, the creation of competition, parallel structures that challenge the status quo—to help the schools and districts themselves do a better job.

Tom Payzant, the veteran superintendent who heads up Boston Public Schools, says large school districts get funding from a variety of philanthropic organizations, but he has had to work hard to persuade these funders to align their efforts to support a system-wide vision of how to improve education and avoid contributing to what he calls “project-itis,” which is just a series of ad hoc donations that make givers feel good but have little impact on students.

“It’s been very hard for educators to stand up and say, ‘I don’t want the money unless it’s aligned with what we’re doing,’ without being snooty about it,” he says.

Lowell Milken says that one way to judge the work of foundations is whether other givers get on board and whether a project changes the way the district does business. “Is the district willing to adjust its budget and, if a project meets its goals, will they take on the whole cost? All those issues are critical to us, in looking at how we should proceed.”

Despite the sometimes gloomy assessments of philanthropy’s impact, there is reason for hope. Giving to K–12 education will surely increase. Foundations are working together much more than in the past. They seem to recognize that public policy has to change if their projects are to be sustained, and foundations are becoming more active in the policy arenas. The philanthropists are funding outside evaluations, and they seem to be more transparent and forthright about the shortcomings of what they’re funding as well as their successes. Vander Ark of the Gates Foundation openly acknowledges that 10–20 percent of the foundation’s grants are not working, and another 10–20 percent are working out differently than planned. If it were otherwise, he says, one would suspect that the foundation was only placing safe bets, and safe bets are unlikely to produce the major improvements that are needed in education.

Richard Lee Colvin is director of the Hechinger Institute on Education and the Media, based at Teachers College, Columbia University. This article is adapted from a chapter in the forthcoming book The Best of Intentions: How Philanthropy Is Reshaping the Landscape of K–12 Education.