

The Perfect Storm

*“The public school is the greatest discovery made by man.”

Horace Mann

The Perfect Storm

- * If Money = Power and Influence, then
- * Great Wealth = Great Power and Great Influence

Disclaimer

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- * The comments expressed are the speaker's perceptions and opinions
- * I am an unabashed supporter of public education
- * I believe some constructive changes need to be made, but the current focus of reform is on privatization and not meaningful reform based upon solid research
- * I have problems with the positions of both political parties
- * The information provided was obtained from various internet sources.

Historical Developments

- John Maynard Keynes 1930s
- Friedrich von Hayek 1940s
- Friedman vouchers 1950s
- Multi-national corporations 1970s
- Oil Crisis & Stagflation ALEC 1973 MI peaks 1979
- Hayek & Friedman awarded Nobel Prizes 1974 & 1976 respectively
- Ronald Reagan 1980 ALEC Task Forces 1981 Nation At Risk 1983
- Charter schools 1988
- Junk Bonds/S & L Boom & Bust Mid 1980s – 1990/91
- First Gulf War 1990/91
- Dot.com Boom & Bust 1995-2000
- No Child Left Behind 2001
- War in Afghanistan 2001
- 2nd Gulf War in Iraqi 2003
- Housing Boom - Bust 2004-2008
- Financial Derivatives Crisis 2008-current
- Venture Philanthropists – “Education Reform Movement” + ALEC
 - Walton est. in 1987 \$172 million in 1992 \$734 by 2003
 - Gates Foundations est. 1994 - Gates Leads Foundation 2008
- Hedge Fund Managers With passage of Charter Laws



Nation at Risk 1983

- **Content:** 4 years of English; (b) 3 years of mathematics; (c) 3 years of science; (d) 3 years of social studies; and (e) one-half year of computer science for high school students. Plus students should work towards proficiency in a foreign language starting in the elementary grades.
- **Standards and Expectations:** Cautioned against grade inflation and recommended four-year colleges raise admissions standards and called for **standardized tests** of achievement at major transition points from one level of schooling to another and particularly from high school to college or work.
- **Time:** 7-hour school days as well as a 200- 220 day school year
- **Teaching:** Salaries for teachers be professionally competitive, **market-sensitive**, and **performance-based**. Teachers should **demonstrate competence in an academic discipline**.
- **Leadership and Fiscal Support:** the **Federal government plays an essential role** in helping meet the needs of key groups of students such as the gifted and talented, the socioeconomically disadvantaged, minority, language minority students, & the handicapped.

2001 No Child Left Behind

- * Standardized testing
- * Highly qualified teachers
- * Performance pay
- * School Choice
- * Accountability
 - * Transformational management reconstitution
 - * Convert to Charter
 - * Takeover by Educational Management Organization
 - * Merge
 - * Close

Venture Philanthropists

- * Bill & Melinda Gates Foundation \$33 **Billion** +
 - * Warren Buffet \$30 **Billion**
- * Eli & Edythe Broad Foundation \$ 1.4 **Billion**
- * Walton Family Foundation \$ 2 **Billion**
 - * Helen Walton \$20 **Billion?**
 - * \$800 million revenue for stock held ?

Gates Foundation

- * Health
 - * Poverty
 - * Education
-
- * All assets spent from Bill & Melinda Gates must be spent within 50 years of their death
 - * All assets from Warren Buffett must be spent within 10 years of the settlement of his estate

Gates Initiatives

- * Smaller learning communities
- * Common core & standardized tests
- * Performance based pay
- * Effective teachers – evaluation
- * Data Collection
- * “Turn around” strategies
 - * Fire staff, replace with charter, or close

Gates Foundation

- * *Announces smaller schools initiative wasn't providing the desired results*
- * *Spent 2.2 million to produce The Turnaround Challenge*
 - * *Called "the Bible" for school restructuring by Sec. Duncan*
- * *Gave \$90 million for Chicago's Renaissance turnaround strategy*
 - * *Ren10 CEO – Arnie Duncan*
 - * *Data suggests REN10 has done little to improve city's schools*

Walton Family Foundation

- Educational Reform
 - Shape Public Policy
 - Support
 - Choice
 - Competition
 - Teacher effectiveness
 - Close & replace low performing schools
 - **Charter Schools**
 - **Financing Facilities**

Broad Foundation

- Pipeline & Leveraging
 - Broad Superintendents Academy
 - Move professionals from current career to education
 - School Supt or district executives in 53 cities in 28 states
 - In 2009 filled 43% of all large urban districts supt. openings
 - Broad Academy and Residency
 - Move “professionals” masters degree & experience into
 - Mgt in school districts, charter school orgs, & federal and state departments of education 200 residents in 50 institutions

GATES – BROAD FOUNDATION AND THE 2007 PRESIDENTIAL ELECTION

- Funded a \$60 million dollar campaign to get both political parties to address their foundations' version of educational reform
- Sec. Duncan – Board of Dir. of Broad's Ed. Division
 - Creates the position of Dir. of Philanthropic Engagement
 - First chief of staff was from Gates Foundation
 - 2nd chief of staff from Gates grantee
 - Asst. Sec – formerly with Broad Foundation
 - Asst. Sec. – formerly with Gates
 - General counsel Board member of Gates grantee

ILLUSTRATION OF GATES INVOLVEMENT

- Race to the Top
 - Picks 15 favorites and offers \$250,000 to hire consultants to write the applications
 - Amid criticism agrees to offer the application development money to any state meeting the foundations & turnaround criterion which included:
 - **Teacher & Principal evaluation based on test scores**
 - **Turnaround of lowest achieving schools**
 - **Favorable conditions for charter schools**
 - **State required to address teacher tenure > 3 years**

ILLUSTRATION OF BROAD WALTON INVOLVEMENT

- Washington, D.C.
 - \$64.5 million 5 yr 21.6% pay increase in teachers base pay
 - Proviso could withdraw funding if there were a material change in district leadership

OTHER POSITIONS & ACTIONS

- Support mayoral control of schools – single point
- Grants recipients
 - National Gov. Assn for Best Practices
 - Natl Conference of State Legislatures
 - US Conf of Mayors
 - Natl Assn of State Boards of Education
 - Council of Chief State School Officers

STILL MORE

- Media Partnerships public & private
 - NBS News Education Nation
 - Viacom – write & produce
 - **Get Schooled Foundation**
 - *Paramount Pictures*
 - *Waiting for Superman*

Other Foundation Players

- Devos Foundation - vouchers, charters, privatization
 - \$46 million in assets
 - Other Family Members have foundations in excess \$100 Million
- Koch Foundation – Catholic evangelism \$87 million
- Scaife Foundations
 - Sarah Scaife 244 million
 - Scaife Family 70 million
 - Allegheny 47 million
 - Carthage 24 million
- Separation of School & State

Examples of groups & organizations funded by/affiliated with foundations

- All Children Matter
- American Federation for Children
- American Education Reform Council
- Cato Institute
- Children's Educational Opportunity Foundation of America
- Excellent Education for Everyone
- Friedman's Foundation for Educational Choice
- Heritage Foundation
- Hudson Institute
- Heritage Foundation
- Institute for Justice
- Students First
- DC Children First
- Iowa Advocates for Choice in Education
- Alliance for School Choices in Education – Michigan
- Parent for Choice in Education – Utah
- Parents for Choice in Education Issues Committee
- School Choice Indiana
- Rhode Island Scholarship Advocates
- Partners for Educational Freedom in North Carolina
- Texans for School Choice
- Stand for Children

A few additional Foundation Players

- Olin
- Bradley
- Smith Richardson
- Kern
- Dell
- Fisher
- Daniels
- Carnegie
- Simon
- Robin Hood Foundation

Hedge Fund Managers & Investors

- Who are these people?
- Why are they interested?

Who are these people?

- Managers of hedge funds
 - Warren Buffett
- Educational Management Organizations
 - Imagine Schools
 - National Heritage Academies
 - Edison Learning
 - White Hat Management
 - K12
- Investors & Large Banks

Examples of Investors

- Michael Milken junk bond dealer assoc. w/ S&Ls K12
- Patrick Byrne – Overstock.com who helps fund Amer Fed for Children
- Peter Thiel – Paypal
- Mark Zuckerberg - Facebook
- Andre Agassi
- Waltons
- Warren Buffett
- William Bennett K12
- Rupert Murdoch
- J.C. Huizenga – National Heritage Academies
- JP Morgan
- Oprah for Heavens sake!
- Joe Biden's brother
- Al Gore's son

Why are they interested?

- Nothing personal – it's just business!
 - Jonathan Kozol, an education advocate, writes that free market advocates view the \$800 billion dollars spent annually on public education as, "The Big Enchilada". The final frontier under public control to be opened up to private enterprise.
- They are interested because they can make money.
- So how do they make money?

How do they make money?
(I may not get this part exactly right)

- * TAX CREDITS

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- * MGT FEES

- * LOWER OPERATIONAL COSTS

Investment Strategy

- Receive tax credits
- Receive investment income while
 - Recovering capital asset preferably appreciate the asset
- Improve cash flow

Hypothetical Example

- Be selected to operate a public charter by the state
- Appoint board members to the non-profit charter school board.
- Through your private real estate entity construct or better yet find a building that can be converted for school use or as Indiana be given a school building no longer used as a school.
- Construction of the buildings does not have to follow the same public works laws or code requirements resulting in less cost for the building.

Hypothetical Example continued

- Require the public charter board members to enter a purchase agreement at a substantially higher cost than the cost of construction or renovation or better yet require the board to execute a lease for the building at higher than fair market while retaining the property.
- Apply to the federal and state government for some of the millions of dollars in federal funds available for charter school construction and avoid capitalized interests costs during construction.

Hypothetical Example continued

- Secure tax credits
 - New Market Tax Credits – 39% in about 7 years
 - Energy Tax Credits
 - Job Creation Tax Credits
 - Historic Tax Credits
 - Etc.
- Receive lease or loan payments which include interest
- Receive tax credits

Hypothetical Example continued

- Charge 10-15% of tuition support for management fees to provide the backend services for the charter
- Lower operational costs
 - Avoid expensive programs
 - Don't build to ADA standards to accommodate special ed
 - Ensure "success" through admission standards avoiding costs of counseling, security, etc.
 - Structure salaries and benefits
 - Higher beginning pay but cap at substantial lower \$
 - No pension or limited defined contribution
 - High deductible health insurance with limited contribution
 - Market based pay for select math and science teachers
 - Use technology to replace teacher salaries

Hypothetical Example continued

- Should the school close since the charter is a public charter the state is the guarantor of the lease or purchase agreement – How sweet is that?
- According to one source allows the investor to double their money in approximately 10 years
- Now do you understand why wealthy investors are interested?



Charter School Movement

- Some of the Priorities – Guide to Donors
 - Create a supply of charter schools that are perceived as high quality
 - Create a pipeline of human capital
 - Create a multi-billion dollar facilities fund
 - Ensure equal access to pre-K sector
 - Forge Charter friendly public policy
 - Identify and cultivate a pool of charter-friendly policy leaders – Reward or consequent legislators

Charter School & Voucher Strategies

- Astroturfing
- Focus on select states
- PACs – *Citizens United* decision now makes impossible to track
- Political contributions to charter friendly candidates
- Foundations fund organizations to do “education”, public relations, and “research” in support of vouchers & charters
- Attack Ads
- “Flooding the zone”
- Get your nose under the flap of the tent



Charter Schools Strategies

- Demonize labor unions as rich and powerful
 - Reality is the PAC contributions from wealthy individuals dwarf the lobbying dollars available from unions
 - Portray teachers and administrators as overpaid and underworked
- Find a small group of Democrats and minorities that can be used to support vouchers and charters
- Conduct a poll by one of the organizations funded by a foundation shortly before the legislature is scheduled to take action showing support for school vouchers
- Attack anyone besides those in unions who oppose vouchers or charters as being aligned with the union, not caring about urban children, obstructing the efforts of altruistic pro-voucher donors, and a defender of the status quo
- Complete “research” with little time to refute it and provide



Definition of Irony

- Only in America can teachers who work everyday with our most challenging children be characterized as “greedy” and the wealthiest people in America who are benefitting from federal tax credits are being characterized as altruistic.



Point to remember

- "Vouchers are not an end in themselves; they are a means to make a transition from a government to a market system." Milton Friedman
- Charter schools can be added to the previous comment.
- "The possibility exists that some public schools would be left with 'the dregs' becoming even poorer in quality than they are now." Milton Friedman Free to Choose



Impact of Astroturfing

- Indiana Center for Evaluation & Educational Policy
 - First time majority of Hoosiers believe schools getting worse despite data to the contrary
 - Shift is in people with no children in public schools
- Gallup Poll
 - 70% approval rating of charters
 - 65% oppose vouchers

American Legislative Exchange Council (ALEC)

- “...describes itself as a nonpartisan membership organization for those who share a common belief in ‘limited govern-ment, free markets, federalism, and individual lib-erty’” and report that state lawmakers, corporations, foundations, and “think tanks” pay to join ALEC. Public policy makers work with corporate leaders to develop model legislation.



ALEC's 17th Report Card

Ranking K-12 Performance, Progress, Reform

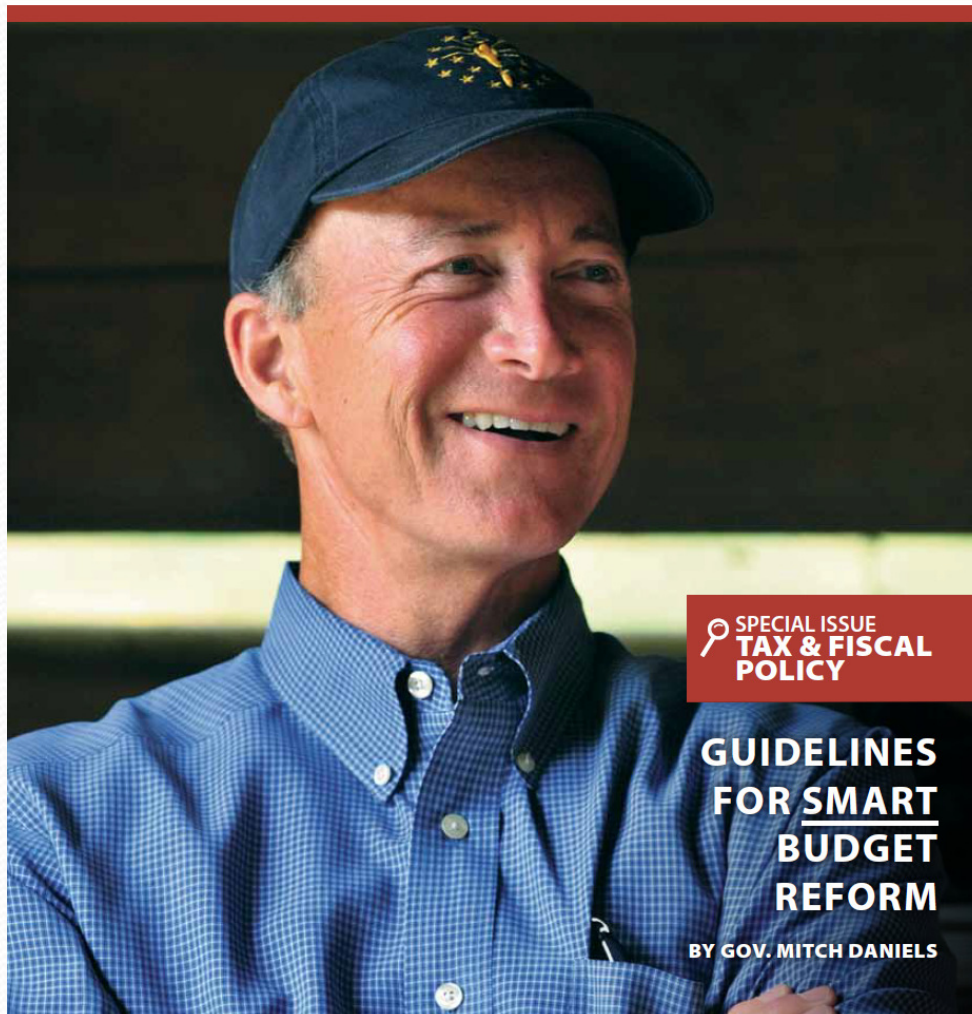
- Foreword is written by Gov. Mitch Daniels

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alec.org

INSIDE *ALEC*

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 SPECIAL ISSUE
**TAX & FISCAL
POLICY**

**GUIDELINES
FOR SMART
BUDGET
REFORM**

BY GOV. MITCH DANIELS



Darryl Webb/For the Star-Ledger
Indiana's Superintendent of Public Instruction Tony
Bennett takes a question during the annual ALEC
summit in Scottsdale, Ariz.



The Gates Foundation Connection

- In November Gates Foundation gave a grant of \$375,000 to ALEC*
- *Robin Rogers Jan. 8, 2012 Fort Wayne Journal Gazette



ALEC Model Legislation

Funding Private Schools and Private Profits with the Public's Money*

- ALEC's "[Family Education Tax Credit Program](#)" creates a tax credit for paying private primary or secondary school tuition and fees. It would also create a tax credit for corporations and individuals that give money to be used as "scholarships" to pay tuition and fees at private schools. This also reduces tax revenue for public services.
- ALEC's "[Parent Choice Scholarship Program Act - Universal Eligibility](#)" creates a voucher program to use taxpayer funds that would be spent on public schools to subsidize private for-profit, religious, or other primary and secondary schools. This program has no income limit for subsidies and therefore all students would be eligible.
- ALEC's "[Parental Choice Scholarship Accountability Act](#)" helps enable taxpayer money to be used to subsidize for-profit, religious, or other private schools.
- ALEC's "[Education Accountability Act](#)" allows a state to override the elected school board, declare schools "educationally bankrupt," and divert funds to private schools.

Tipping the Scales in Favor of Charter Schools Over Public School Innovations*

- ALEC's "[Charter Schools Act](#)" would allow the state to grant charters to create and operate schools outside of traditional public schools, while also exempting these charter schools from state laws that apply to public schools.
- ALEC's "[Next Generation Charter Schools Act](#)" allows state taxpayers to subsidize charter schools that compete with public schools, while exempting charter schools from complying with many legal standards and requirements that govern public schools.
- ALEC's "[Resolution Supporting Private Scholarship Tax Credits](#)" urges more tax cuts for corporations and individuals to subsidize for-profit corporate schools through funding "scholarships."



Advancing Other Controversial Proposals*

- ALEC's "[Virtual Public Schools Act](#)" requires virtual or online education company courses to be recognized as public schools and require that such companies receive the same per pupil funding as traditional schools that provide classrooms, sports training facilities, lunch, and transportation, resulting in windfall profits for online "schools."
- ALEC's "[Parent Trigger Act](#)" would allow a small group of parents to close public school for current and future students, and turn the school into a charter school or require the state to use taxpayer dollars for vouchers to subsidize private tuition.

Attacking Teachers ...*

- ALEC's "[Great Teachers and Leaders Act](#)" changes tenure rules for teachers and allows tenure to be revoked based on limited measures of success without regard to underlying conditions in the schools or environment.
- ALEC's "[Alternative Certification Act](#)" attempts to allow students to be taught by people who have no training in how to teach children and the different ways kids learn at various ages and based on different learning styles. This paves the way for for-profit schools to pay "teachers" less than educators who are actually trained in teaching.

*Source: [http://www.alecexposed.org/wiki/ALEC %26 Education](http://www.alecexposed.org/wiki/ALEC_%26_Education)



The Indiana Experience

- Indiana governance
 - Republican Governor
 - Republican control of Senate
 - Republican control of House
 - Republican State Supt.



New laws & rules

- School choice between school corporations via agreement
- School choice via election of local board to accept cash transfers
- (Also school choice as a function of NCLB)
- Change in teacher and administrative licensing to open the pipe line via alternative certification
- Teacher and administrative evaluations based to a “significant” extent on student achievement & growth



New laws & rules

- Mandated construction of “compensation plans”
 - Performance based pay
 - Virtual elimination of degrees and experience
- Change in tenure law –cancellation of contract
 - 2 consecutive ratings as ineffective
 - 3 of 5 evaluations as ineffective or needs improvement
- Elimination of seniority in layoff decisions
- Major reduction in scope of bargaining



New laws & rules

- Adoption of the Common Core
- Virtual Charter Schools 87.5% of adm tuition support
- Turnaround academies for lowest achieving schools
 - 104 potentially “D” or “F” schools
- Parental trigger for charter schools
 - Parents of 51% of students & school board approval
- Charter School Facilities Assistance Pgm can match fed
- Educational expense tax deduction for parents of private school children deduction up to \$1,000



Tuition Scholarships

- Gifts to private school scholarship granting organizations
- Indiana tax credits for individual or business
- Up to 50% of Indiana tax
- Capped at \$2,500,000 a year
- No income restrictions to recipients
- Arizona flip-flop problem

Choice Scholarships

- Voucher program
- Distributed to parent/student
- Up to 150% of eligibility for free and reduced lunch
 - For family of four approximately \$62,000
 - 100% or less 90% of state aid
 - Grade 1-8 \$4,500 cap
 - Grade 9-12 capped at 90%
 - 101-150% of free and reduced lunch 50% of state aid
 - Any unused scholarship money can go for other ed cost



Choice Scholarships – Cont.

- Cap of 7,500 students in 2011/12 school year
- Cap of 15,000 students in 2012/13 school year
- 2013/14 school year and beyond NO CAP
- Estimated cost in first two years \$65 million
- Public schools losing enrollment lose state aid for lost enrollment plus
- State apportions the actual cost of the voucher program by reducing the state distribution to each school district in the state on a per pupil basis

SO WHAT'S TROUBLING ME?

Sectarianism

Increased schism between the haves & have nots

Fracturing of the foundation of our country

- Chilean Experience

Model of education on the cheap

- Built upon turnover of teachers & administrators 132% >
- Discouraging the best & brightest from the profession
- Avoiding & leaving high poverty districts
- Leaving the state and the profession

WHAT'S TROUBLING ME?

Charter/Voucher movement is not accountable to the taxpayers

No transparency in the finances of charter schools

**By and large the media has given the wealthy a free pass –
One researcher found 13 positive articles for every one
critical of these foundations**

**Taxpayers are enabling the wealthiest Americans to reap
huge financial gains in essence subsidizing the rich**

So what's a person to do?

- *Rodriguez v San Antonio*
- *Bonner v Daniel*
- The overwhelming recipients of Indiana's choice scholarship program are parochial schools
 - Impact on payment of debt
 - Reduction in curriculum
 - Expense of disproportional population
 - Inefficiencies from change in grade configuration/unused bldg
 - Flight of talent
- Status of suit challenging constitutionality

Predicted Impact 30+ year cycle

- 4-7 years issues will emerge more clearly
- 10 years things are getting bad
- 15-20 years we need to fix this
- 20-30 years before the political will is there to do something and you won't be able to put the genie back in the bottle.

Steps we should support

- Eliminate tax credits for charter and private school construction- support for vouchers & charter schools will be greatly reduced
- Enforce and tighten if need be the prohibition that private foundations cannot influence public policy which is already a part of the tax code
- Require accountability & financial transparency for charter schools
- Support true educational reform which includes health care, nutrition, and pre-school education as well as increased rigor for students. Real reform embraces teachers in that process and empowers them. Real reform does not discourage the best and brightest from teaching and leading nor does it create flight from challenging teaching situations or from the profession.
- Believe in our democracy and inform the electorate
- Hope Bill Gates is as smart as he thinks he is and is true to his word
- Personally, I shop some place other than WalMart and Amway
- Hope Winston Churchill was right when he said, "You can always count on Americans to do the right thing after they've exhausted all the alternatives."

Partial Listing of Resources Used in Development of this Powerpoint

How Billionaires Influence Public Education Policy

<http://www.dissentmagazine.org/article/?article=3781>

<http://www.dissentmagazine.org/article/?article=3933>

http://yubanet.com/opinions/Bill_Berkowitz_Philanthropy_the_Wal-Mart_way_26251.php

<http://eduooptimists.blogspot.com/2011/12/billionaire-education-policy-guest-post.html#!/2011/12/billionaire-education-policy-guest-post.html>

Astroturfing and Voucher Advocates

<http://www.talk2action.org/story/2011/4/24/22559/1547>

<http://www.talk2action.org/story/2011/4/20/232844/831>

Louisiana School Boards Association: Following the Charter Dollars

<http://www.lsba.com/PressRoom/PressRoomDisplay.asp?p1=4508&p2=Y>

The Role of the American Legislative Exchange Council

<http://www.kappanmagazine.org/content/93/6/51.abstract>

<http://www.thenation.com/article/161978/alec-exposed/#>

http://www.alecexposed.org/wiki/ALEC_Exposed

Illustrative article on role of financiers in supporting charter schools:

http://articles.nydailynews.com/2010-05-07/local/29438011_1_charter-law-albany-charter-state-aid

<http://www.nytimes.com/2010/05/10/nyregion/10charter.html?pagewanted=all>

<http://www.forbes.com/sites/briansolomon/2011/08/24/walton-family-joins-oprah-gates-in-backing-charter-schools/>

<http://dealbook.nytimes.com/2009/12/07/hedge-funds-scholarly-investments/>

<http://www.nytimes.com/2009/12/06/fashion/06charter.html?pagewanted=all>

http://www.stltoday.com/news/local/education/article_dbf9b959-0c73-586c-97e7-6fca3a729b39.html

<http://www.rifuture.org/why-do-big-banks-care-about-charter-schools.html>

Results of Friedman's vouchers and privatization in Chile:

<http://www.coha.org/the-failings-of-chile%e2%80%99s-education-system-institutionalized-inequality-and-a-preference-for-the-affluent>