

CLOSING THE ACHIEVEMENT GAP

A SERIES OF STORIES, RESULTS,
AND LESSONS LEARNED FROM
SEVEN YEARS OF
EDUCATION INVESTING BY
THE ANNIE E. CASEY FOUNDATION



STRATEGIC FUNDING ATTRACTS **CO-INVESTMENT**

THROUGH ITS EDUCATION INVESTMENTS, THE ANNIE E. CASEY FOUNDATION HELPS ENSURE THAT YOUNG PEOPLE GRADUATE FROM SCHOOL PREPARED TO SUCCEED AS ADULTS BY SUPPORTING QUALITY SCHOOL CHOICES AND STRONG SCHOOL/COMMUNITY/FAMILY CONNECTIONS.

An objective of every education investment at the Annie E. Casey Foundation is to attract co-investment in promising and evidence-based programs and policies. One way the Foundation does this is to invest in innovative but as yet unproven activities that have the potential to help young people graduate ready to succeed as adults. Casey reserves roughly 15 percent of its annual education portfolio for these high-risk investments.

This publication presents an in-depth look at Casey's strategic early investment in one such activity — Indianapolis Mayor Bart Peterson's Charter Initiative. It also includes stories about the Foundation's education grants to two other organizations and the co-investments these grants attracted.

Early Funding Seeds Results

“The charter initiative in Indianapolis was attractive because it had the potential to be a model for a new way of authorizing charter schools and overseeing public education,” said Bruno Manno, senior associate for education at the Foundation.

After Casey made a number of visits to the city in the first year of the charter initiative to meet the players and assess their capacity to deliver, it made a relatively small initial investment of \$66,000 to support the development of a school selection and authorizing process that would enable the Mayor's Charter Office to approve only high-quality charter schools.

This initial investment was successful, so Casey decided to make an additional three-year commitment totaling \$450,000 to support the creation of a rigorous charter school accountability and monitoring system. These investments made an important contribution to attracting \$18.4 million of other philanthropic support to individual charter schools and \$1.38 million to the Mayor's Charter Office.

Casey also decided to use an investment tool known as a program-related investment (PRI) to attract partners and resources to create a charter facilities loan fund in Indianapolis. A Casey PRI in the form of a \$1 million loan guarantee secured \$20 million from other sources for the loan fund.

By 2007, 16 mayor-sponsored charter schools were up and running in Indianapolis, including five of the top ten most improved schools in the county. Almost three-quarters of students served by initiative charter schools are children of color and 67 percent are eligible for free or reduced-price lunch.

An Innovative Initiative Takes Flight with Casey Support

In 2001, the Indiana State Legislature became the 37th state to pass a charter school law. Unlike any other state, Indiana granted a mayor the power to authorize charter schools.

“Seed money is often the most valuable thing a donor can provide. Once an issue becomes popular, then everyone wants to fund it.” Andrew Rotherham, Education Sector



The Indianapolis Mayor's Office got into the authorizing game a decade after the first charter schools opened in Minnesota, so it benefited from earlier experiences. One big lesson learned was that a high-quality charter school authorizing process is critical to later charter school success.

Mayor Peterson was highly motivated to create a transparent and rigorous process, and he put together a team that looked both inside and outside of government for answers and advice. "An elected official has to be able to explain his rationale for making decisions," said David Harris, the first charter school director for Indianapolis.

Casey's first year grant of \$66,000 enabled the initiative to develop the application process and to hire experts to help evaluate applications. "This money, combined with early investment from city government, was critical to getting it right," said Harris.

With the help of carefully chosen local and national experts, the mayor's charter team developed a rigorous application tool that gave reviewers the information they needed to make good decisions. The application also helped aspiring charter schools make a good plan.

"The application was very, very thorough," said Don Stinson, superintendent of the Decatur Township school district, one of the 11 districts in Indianapolis and the first to take the

"[Casey's education] portfolio isn't huge, but it leverages its investment effectively." Jim Shelton, Bill and Melinda Gates Foundation

INDIANAPOLIS RESULTS

Impact

- 16 charter schools open in 2006–2007, serving 3,855 students.
- 5 of 10 most improved schools in Indianapolis in 2006–2007 are mayor-sponsored charter schools, which make up just 6 percent of schools in the city.
- Students gained ground on or stayed even with national peers in 89 percent of subjects and grades in 2007.
- Students gained ground on or stayed even with Indiana peers in 96 percent of subjects and grades in 2007.
- 82 percent of parents were satisfied with their children's charter schools in 2007.
- More than 1,000 students are on the wait list.

Influence

- Increased interest nationally in mayoral role in public education.
- Harvard University's Innovations in American Government Award in 2006 has attracted ongoing national media coverage.
- Leading national models are running Indianapolis charter schools: KIPP, Big Picture Company, Lighthouse Academies, and others.
- Several strong local organizations are running charter schools, including Goodwill Industries, Fairbanks Hospital, and others.
- 3 school districts in Indianapolis are either chartering their own schools through the mayor's office or collaborating with mayor-sponsored charters.

Leverage

- \$20 million in private capital loan funds for charter facilities.
- \$18.4 million in private philanthropic support to individual charter schools.
- \$18 million in city and state public funds in 2005–2006.
- \$5.5 million in federal charter school start-up funds to Indianapolis charter schools.
- \$1.6 million from Fairbanks Foundation to stimulate supply of new schools in Indianapolis via The Mind Trust.
- \$1.38 million of philanthropic support to the Mayor's Charter Office.



An Institute in Milwaukee Flourishes with Early Casey Funding

Early support from Casey enabled the Institute for the Transformation of Learning at Marquette University to grow into a stable organization that improves outcomes for low-income children in both charter and private schools in Milwaukee.

In its first few years, the Institute coached and trained local groups that subsequently opened more than 40 new charter and private schools across the city. Since 2005, the Institute has shifted focus to assist 20 of the 30 private schools enrolling Milwaukee's voucher students so the schools can improve how they operate and raise student achievement.

"Casey's early and steady money has helped us attract much bigger money," said the Institute's Bob Pavlik. "Other donors have been able to look at our work over a period of years and say, 'Okay, you're building good schools, and you have a solid accreditation system for private schools. We'll fund the next step of your work.'"

The Foundation has invested \$2.1 million in the Institute over seven years. The work supported by Casey has attracted more than \$3.3 million from the Fleck Foundation and the Bill and Melinda Gates Foundation, among others.

"Casey funded the development of the application and accountability systems in Indianapolis, and subsequent investments have all hinged on the quality of that early work." Bryan Hassel, Public Impact

unusual step of having the Indianapolis mayor authorize a charter school rather than create its own authorizing process. "We had to do a lot of planning, have our ducks in a row. They had to believe we had the capacity to pull it off."

A Rigorous Accountability System Helps Schools Succeed

As soon as the authorizing process was in place, the mayor's charter team sought additional Casey support and turned its attention to creating an accountability system that would enable the initiative to closely monitor school performance and implementation.

"We knew we had to answer two key questions: What do we need to measure? How do we report to the public?" said Bryan Hassel, director of the education consulting firm Public Impact and an indispensable advisor to the Indianapolis initiative from its inception.

Since Indiana gives its state tests only in the fall, the mayor's team realized the state tests couldn't be used to measure how much students learned over the school year. The team decided to add a nationally normed test in both the fall and the spring, making it possible to track student growth as well as compare charter performance with performance in schools across the country.

Team members wanted to measure the quality of teaching and learning, parent and staff satisfaction, and how well schools were governed and managed, and they wanted to create a system that helped schools learn from their experience and improve programs and performance accordingly.

The result is a thorough accountability process that helps schools assess how they are doing. It includes surveys of parents, staff, and students, as well as intensive site visits. "We work together with the site visit team in a dialogue," said Stinson. "We discuss the issues site

Casey Seed Money Attracts Major Co-Investment in Schools Research

The Center on Reinventing Public Education at the University of Washington in Seattle engages in research and analysis aimed at developing focused, effective, and accountable schools and school systems.

Casey has invested \$850,000 over seven years in the Center's research on school district management and finances. The Center's groundbreaking findings are influencing school district budget conversations across the country and have attracted the attention of major education reform donors.

"Casey money has provided gigantic leverage," said the Center's Paul Hill. "We're getting millions of dollars now from other foundations." Among others, the Broad Foundation and the Bill and Melinda Gates Foundation have invested close to \$7 million in the Center's ongoing research on district finances.



"Investments don't have to be huge to attract other resources." Bruno Manno, Casey Foundation

visitors have discovered and how to fix them. When the team comes in again the following year, we pick up where we left off. It is a living process."

"The accountability system is the heart and soul of our charter program," said former Mayor Peterson, who left office at the end of 2007. "It ensures quality and transparency."

Every year, the Indianapolis Mayor's Office publishes a highly readable accountability report that parents, educators, and others can access on the initiative's website. The report provides detailed information, warts and all, about each charter school and student performance over time, making it a valuable tool that drives school improvement.

The system closely monitors school performance and implementation, and it is already working. In 2005, the mayor closed Flanner House Higher Learning Center because of problems that first came to light through the accountability system.

The school opened in 2002 to serve high school dropouts. In the first year review, site visitors expressed a number of concerns that surfaced again in the second-year review. The mayor's office brought these concerns to the attention of the state, which then did its own review, finding that the school had overcounted its students. Mayor Peterson closed the school, sending a clear message to the public that he valued quality above all else.

Local Partnerships Contribute to Success

The Mayor's Charter Initiative is thriving in part because of enthusiastic participation by local businesses and neighborhood groups. Goodwill Industries, a prominent and reputable member of the community, was awarded a charter at the end of 2004 to open a set of academies called The MET to serve at-risk teens who have struggled in traditional high schools.

Goodwill invested a significant amount of its own money to equip and open its school facilities.

Fairbanks Hospital, another well-known local partner, has created a charter school called Hope Academy for high school students recovering from drug and alcohol addiction. Neighborhood groups have also started charter schools, and many civic and business leaders have signed up to serve on charter school boards.

Local and National Influence

After almost seven years, the Mayor's Charter Initiative is having a significant influence on local school districts. In the beginning, the 11 districts in Indianapolis saw the initiative as a potential threat to their enrollment and funding, but the mayor met with the superintendents often, developed strong relationships, and diffused their anxiety over time.

Three superintendents are now either chartering their own schools through the mayor's office or collaborating with mayor-sponsored charter schools. Decatur school district has chartered Decatur Discovery Academy, an expeditionary learning school. In Lawrence school district, the superintendent joined forces with a local community college to create an early college charter high school.

In Indianapolis Public Schools (IPS), Superintendent Dr. Eugene White is sharing a district building with a mayor-sponsored charter school run by the successful Knowledge Is Power Program (KIPP), and the two IPS schools in that facility are borrowing heavily from the KIPP model.

The charter initiative is also having an influence on the overall public education discussion in the city. The conversation has changed significantly since Bart Peterson took the helm of

"It comes down to picking people and ideas. You make the decision based on the quality of the proposal, word on the street about the people, and what your gut tells you." Bruno Manno, Casey Foundation



the city eight years ago, when it was polarized between reformers and fans of the status quo. “There was not a lot of constructive dialogue,” he said. “We’ve moved way beyond that now.”

On a national level, several other mayors have expressed interest in the Indianapolis model. St. Louis Mayor Francis Slay has visited Indianapolis and is actively seeking the authority to charter schools in his own city. The initiative garnered further national attention when it won Harvard University’s Innovations in American Government Award in 2006.

Casey Support Jump-Starts Facilities Financing and New Talent Recruitment

Facilities financing is one of the biggest challenges facing the charter school movement. Renovating or upgrading an existing space to code costs at least several hundred thousand dollars, and purchasing and constructing a new facility can cost millions. Like most other charter legislation, the Indiana law did not address charter facility costs.

“We knew at start-up that facilities would be an issue,” said Peterson. “Angels and philanthropists enabled us to get good facilities early, but we knew that would not be sustainable. We needed an alternative way to finance facilities, and Casey catalyzed our efforts to solve this problem.”

“The Foundation had been using program-related investments (PRIs) in various ways as part of its social investment strategy, and charter facilities seemed like a worthwhile use of that resource,” said Casey’s Manno.

Casey proposed using a PRI as a way to attract other resources and create a charter facilities loan fund. Catalyzed by the Foundation and the PRI, an array of public, private, and non-profit institutions came together to establish the loan fund.

“The [Casey] PRI was a big part of our making the case to the city to set up the facilities fund in Indianapolis.” *David Harris, The Mind Trust*



HOW CASEY SUPPORT IN INDIANAPOLIS ATTRACTED OTHER RESOURCES

- Casey’s early investment enabled the charter initiative to develop high-quality authorizing and accountability systems that helped people in Indianapolis open charter schools that are getting results. These rigorous systems and the successful charter schools they have helped launch have attracted other donors.
- By using a foundation investment tool called a program-related investment (PRI), Casey attracted diverse resources totaling \$20 million to a new charter facilities loan fund.
- The Foundation’s early support to The Mind Trust helped attract other national donors to the critical task of cultivating new talent for charter and district schools in Indianapolis and beyond.

Casey staff played a pivotal role in bringing the complicated deal to fruition. In the end, the Foundation and Local Initiatives Support Corporation (LISC) each agreed to provide \$1 million in loan guarantees, to be drawn down only in the case of default. With that promise in hand, the Indianapolis Bond Bank agreed to pledge the city’s backing for charter school loans. Bank One (now JPMorgan Chase & Co.) extended a \$20 million line of credit that the Bond Bank could lend to qualified charter schools for facilities.

Approved in 2005, the Indianapolis Charter Schools Facilities Fund recently issued its first loan and will support many school construction projects over the next few years, creating hundreds of new seats for the city’s low-income students.

As the charter initiative began to expand, it encountered another major challenge — a finite supply of talent to launch, lead, and staff successful charter schools. To expand the supply of talent for both charters and district schools, Peterson and Harris launched a new non-profit called The Mind Trust, once again with critical start-up support from Casey. The Mind Trust promotes educational entrepreneurship in Indianapolis through its Education Entrepreneur Fellowship, which provides talented people with a two-year opportunity to develop, build, and launch new education initiatives, and through its venture fund, which brings successful education initiatives to Indianapolis, including Teach For America, the New Teacher Project, College Summit, and others.

Next Steps for Casey and Co-Investment

Casey’s experience attracting co-investment in Indianapolis reinforces its commitment to invest in innovative but unproven activities that have potential to help young people graduate ready to succeed as adults.

LESSONS FOR DONORS SEEKING TO ATTRACT CO-INVESTMENT

- Take calculated risks, and provide early funding to innovative programs with potential for impact.
- Reserve some portion of your annual budget for high-risk investments that have potential for a high payoff. Recognize that some of these high-risk investments will fail.
- Investments don’t have to be huge to attract other resources.
- When deciding whether to invest in promising but unproven strategies, it comes down to picking people and ideas. Make the decision based on the quality of the proposal, word on the street about the people involved, and what your gut says.
- Clearly articulate your goals and your evidence if you want to attract co-investment.
- Stay in touch with the field, and keep your ears open for new ideas. Join boards, go to conferences and events, and accept offers to facilitate and moderate.

CLOSING THE ACHIEVEMENT GAP
A SERIES BY TORY READ:

Getting to RESULTS
Creating Quality Choices: CHARTERS
Creating Quality Choices: DISTRICT SCHOOLS
Exploring Quality Choices: VOUCHERS
School, Community, Family CONNECTIONS
Strategic Funding Attracts CO-INVESTMENT
The Anatomy of INFLUENCE

DATA SOURCES AND COPIES OF THESE REPORTS
CAN BE FOUND AT WWW.AECF.ORG

The Annie E. Casey Foundation

©2008, *The Annie E. Casey Foundation*,
Baltimore, Maryland