Meet the K–12 reform donors who strategically balance charitable giving, legislative advocacy, and direct political engagement.

By Christopher Levenick

John Kirtley smiled. It was March in Tallahassee, and the morning sun was already warming the immense crowd before him. Some 5,600 people had gathered in front of the Leon County Civic Center—more than 1,000 of whom were arriving after a 14-hour overnight bus ride from Miami. Still, the energy in the air was palpable. Excited schoolchildren clutched hand-lettered signs: “Don’t Take Away My Dreams,” “Education Through Choice.” Parents chatted with teachers as clergymen greeted newcomers. It was a diverse crowd, predominantly black and Hispanic. Kirtley knew it had gathered for a single purpose: to convince the 2010 Florida legislature to strengthen the state’s school choice program.

A little after 10 a.m., the crowd began marching east along Madison Street. Kirtley walked at the head of the procession, alongside the Rev. H. K. Matthews, an 82-year-old African-American minister who had marched in Selma. Together they proceeded by the sprawling headquarters of the Florida Department of Education. They marched past the state’s tidy Supreme Court. When the crowd ultimately reached the capitol, it was the largest political rally in the state’s history.

Charlie Crist, then the Governor of Florida, welcomed the crowd. Dignitaries lined up to address them: Al Lawson, the Democratic leader of the Florida state Senate; Julio Fuentes, president of the Hispanic Council for Reform and Educational Options; Anitere Flores, Florida state Representative. Representing the Southern Christian Leadership Conference, James Bush III proclaimed the support of the civil rights organization founded by Martin Luther King Jr. The crowd roared.

Kirtley had helped organize the march to put the legislators on notice. Since 2001, Florida had
offered dollar-for-dollar tax credits to corporations that contributed to state-approved scholarship organizations. (Those organizations in turn offered partial scholarships to low-income families, giving parents the resources to pay tuition at a private school of their choice.) Funding for the program, however, had always been capped. Offering more scholarships meant passing a new cap. The school choice program was forever in jeopardy, an election away from a hostile governor or legislature.

To ensure the long-term viability of the tax-credit scholarship program, Kirtley and his allies proposed the integration of an automatic trigger: whenever the scholarship program approached 90 percent capacity, the state would automatically raise the funding cap by 25 percent. In practical terms, it meant the scholarship program would no longer be hostage to the electoral cycle.

As he surveyed the crowd, Kirtley realized that it had taken over 10 years to get to this point. It was a sustained, focused effort, one that required him and other donors to coordinate funding for their charitable, legislative, and political giving. In all, it was a case study in effective education-reform advocacy. Kirtley smiled again.

Educating an Advocate

John Kirtley was born and raised in Iowa, but his family moved to Florida when he was 16. He thrived in the Sunshine State’s public schools, playing quarterback for the Fort Lauderdale High School Flying L’s. After graduation, he went on to the University of Virginia and a job on Wall Street. In 1989, he returned to Florida, where he co-founded FCP Investors, a venture-capital firm that focused on mid-market companies.

Business frequently took Kirtley from his base in Tampa to New York City. There he became friends with John Griffin, a top deputy at Julian Robertson’s Tiger Management hedge fund. (Griffin has since founded his own $5 billion hedge fund, Blue Ridge Capital.) Griffin introduced Kirtley to the Patrons Program, a pioneering effort he had started to support inner-city Catholic schools. He persuaded Kirtley to visit Christ the King in the South Bronx.

Kirtley walked away astounded. Every one of the roughly 300 black and Hispanic students came from a working-poor family. Yet somehow nearly all of their parents were paying annual tuition of $3,200 per child. To make ends meet, those parents would put in long overtime, take second jobs—even cut back on groceries or utilities. They were willing to do just about anything to send their children to a threadbare Catholic school, even with a tuition-free public school closer to home. He and Griffin adopted the school, and continued volunteering for years afterward.

Late in 1997, Kirtley began to think seriously about creating a private scholarship fund in Tampa. His timing could not have been better. In June 1998,
Ted Forstmann and John Walton announced the creation of the Children’s Scholarship Fund—and their intention to find local matching partners nationwide. Kirtley approached CSF and locked down funding for 700 partial-tuition scholarships, worth up to $1,500 apiece. With virtually no advertising, they received more than 12,000 applications—17 applications for every available scholarship.

The overwhelming response to the private program showed Kirtley that philanthropy could not solve this problem. Some sort of public funding would be necessary. So he approached newly elected Gov. Jeb Bush, who pledged his support. So too did John McKay, President of the Florida Senate, and Thomas Feeney, Speaker of the Florida House.

Kirtley helped devise a plan to offer businesses in Florida a dollar-for-dollar tax credit for contributions to the scholarship fund. He immediately faced intense opposition from the teachers’ unions, who in turn locked down the Democratic members of the state legislature. “I was fairly inexperienced with the legislative process,” Kirtley recalls. “We would bring parents up to Tallahassee to testify, but other than that, our lobbying and grassroots capabilities were very rudimentary.”

The Corporate Tax Credit Scholarship Program passed on a party-line vote in May 2001. Only one Democrat crossed the aisle to vote for it. (That lone Democrat, notes Kirtley, attributed his success in life to the nuns at his Catholic grammar school—and besides was term-limited out of running for re-election.) Of Florida’s 12 major newspapers, exactly two were in favor of the measure. The other 10 were vehemently opposed. Not one member of the black caucus voted for the bill.

Step Up for Students was incorporated as a 501(c)(3) public charity to administer the scholarship program. When it swung into operation in 2002, it had a formidable logistical challenge. It had to convince businesses to begin making contributions to the fund. And the program was required by statute to audit 100 percent of participants, every year, to ensure that every family qualified as low-income. (By way of comparison, the federal free- and reduced-meal program audits about 3 percent of its participants.) That too became an enormous administrative responsibility.

The march on Tallahassee (left) persuaded lawmakers to act on K–12 reforms. “If your goal is to change K–12 policy, you’re going to have to change K–12 laws,” explains John Kirtley. “And if legislators refuse to change those laws, then you’re going to have to change those legislators.”
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- is registered with the IRS as a nonprofit entity.
- is allowed to accept anonymous contributions.
- is allowed to accept tax-deductible charitable donations.
- is principally used for policy-research & public-awareness campaigns.
- is principally used to influence policymakers.
- is principally used for to inform voters about a candidate’s positions.
- is principally used to pay for a candidate’s campaign expenses.
- is subject to Federal Election Commission oversight.

1. Under the 501(h) election, 501(c)(3) entities (except for churches, church auxiliaries, and foundations) may lobby policymakers, so long as “no substantial part of the activities” are used for “carrying on propaganda, or otherwise attempting to influence legislation.”

2. All political committees that register and file reports with the FEC are 527 organizations, but not all 527 organizations are required to file with the FEC.

But Kirtley had larger ambitions. Even with a $50 million cap, the scholarship fund was nowhere near meeting the demand—and opponents of the program were eager to shut the whole thing down. “So we set a goal,” explains Kirtley. “Within five years, we wanted this program to have real bipartisan support. We knew the job could not be done solely within the parameters of our 501(c)(3) capacity—but we also knew that our (c)(3) capacity would be integral to our efforts.”

To advance its scholarship program, a 501(c)(3) charity like Step Up for Students is generally restricted from executing advocacy efforts, including asking the public or legislators to support specific legislation. A 501(c)(3) charity can, however, execute critical activities like communications, research, and grassroots outreach—as long as these activities do not advocate for bills.

To investigate the effectiveness of the program, Kirtley’s 501(c)(3) contracted with third-party researchers. To respond to a hostile press, he set up an aggressive communications shop. With the hiring of Doug Tuthill as president of the 501(c)(3) in 2007, his efforts took flight. Tuthill was a Democrat, a longtime public-school teacher, and the former head of the Pinellas County teachers’ union. That was shocking enough. Tuthill in turn hired Jon East, a respected journalist who had penned editorials against the program in the pages of the state’s most influential paper. East was ideally positioned to make the case to a skeptical press corps.

“But we knew our biggest task was to seed a grassroots network,” explains Kirtley. “It was an interesting situation. By statute, all the kids in the program were poor, and I can all but guarantee that their parents vote overwhelmingly Democratic. But their representatives in the legislature consistently voted against this program, and many of them denounced it on the floor. So we needed to educate those parents, so that they would know what their representatives were doing.”

Using 501(c)(3) dollars, Step Up for Students hired Michael Benjamin as a grassroots manager. Benjamin immediately began reaching out to African-American ministers. “We discovered that many of the schools that were serving the kids on the scholarship program were affiliated with very prominent ministers,” he explains. “So we would inform them that their own state senator—the same person for whom the church had hosted a birthday party a week beforehand—was denouncing a program that made it possible for 100 of the 300 kids to go to their school. Now, those ministers are often kingmakers in their districts.”

Advocacy 101

Reaching out to parents and ministers was one thing, but Kirtley knew he also needed to take his case directly to the legislators themselves. A vigorous legislative advocacy campaign would require stepping outside the framework of a 501(c)(3) entity, so Kirtley and Benjamin launched a 501(c)(4) legislative advocacy group. It meant constant vigilance. They needed to keep strict accounts of their time and resources, since it is illegal to spend (c)(3) dollars on (c)(4) activities.

With a 501(c)(4) capability, Step Up for Students could now take its case directly to legislators. It was not only a matter of being in Tallahassee and lobbying individual policymakers about pending bills. Now Kirtley and his colleagues could help their friends and allies reach out to legislators about specific bills. “One of my favorite examples is a radio ad we did in Jacksonville,” explains Kirtley. “There was an African-American state Senator who was completely opposed to our efforts. Well, we went to his minister and had him tape an ad for us. ‘Senator,’ the minister’s booming voice concluded, ‘do the right thing.’ We aired the ad on all three of Jacksonville’s black radio stations.” The Senator got the message.
Even with the ability to reach out to legislators, Kirtley soon realized he needed a third capacity: direct political engagement. “Early on,” he recalls, “I had a very kind African-American state Senator take me into his office, close the door, and say, ‘John, I know you’re right, and I know this is the right thing to do. But I came here to do 10 good things. If I do your one good thing, the teachers’ union will take me out in the next primary. I will never get to the other nine good things. So I can’t do it.’” Kirtley realized that he needed to make it safe for Democratic legislators to vote for Democratic candidates to vote for the program—and that meant providing the money and muscle to offset the influence of the teachers’ unions.

The first order of business was creating a 527 organization. Under federal law, a 527 organization is created primarily to influence the election of candidates to public office. Crucially, however, it cannot expressly endorse a particular candidate or campaign. So long as they register with the IRS, publicly disclose their donors, and file periodic reports, 527s can raise unlimited amounts from individuals. Those funds can in turn be spent on what are known as “electioneering communications.”

“Our 527 was able to talk about candidates in a favorable or unfavorable way,” explains Kirtley. “But we never used trip-line words like vote for or vote against. We could spend $1 million on a radio ad that said, ‘Senator Smith stands for Florida’s students—call and thank him!’ But we could not and would not pay 33¢ to stamp a single postcard that said, ‘Elect Senator Smith!’”

Over the course of three election cycles, from 2002 to 2008, Kirtley’s 527 invested $4.5 million in various legislative races. Most of the money went to primaries. (“Florida,” notes Kirtley, “is so thoroughly gerrymandered that there are very few contested general election races.”) Through the 527, Kirtley and his allies became one of the state’s largest investors in electioneering communications.

Forming a 527 organization was one aspect of Kirtley’s political efforts. The other involved bundling hard money, checks written directly to a candidate’s campaign. “Look, campaigns need money,” says Kirtley. “We—I, frankly—became a bundler for candidates, including many Democratic candidates.” He traveled around the country, fundraising from fellow donors who were concerned about school choice. He discovered that relatively modest sums could yield real influence. “In Florida,” he explains, “an individual can only give $500 per candidate, per election cycle. It’s pretty rare to see a candidate in a relatively low-income House district raise more than $30,000 or $40,000 for the primary. So I would go out and try to raise $10,000 to $12,000.”

The culmination of this charitable, legislative, and political work came in 2010. On March 23, the day of the march on the state capitol, the Florida Senate cast a historic vote. (The House joined it a day later.) Not only did the legislature incorporate a trigger to automatically raise the funding cap. It offered credits against other state taxes and raised the scholarship funding to 80 percent of the public-school per-student operational level. The measure passed easily, with strong bipartisan support. “This time, we had Democratic co-sponsors for the bill,” smiles Kirtley. “We had a majority of the black caucus, and all but one member of the Hispanic caucus.”

“I’m really only familiar with education-reform advocacy,” concludes Kirtley. “But, in my experience, if you want to achieve any real progress, you cannot just have a (c)(3) capability. You must also have advocacy and political capabilities. If your goal is to change K–12 policy, you’re going to have to change K–12 laws. And if legislators refuse to change those laws, then you’re going to have to change those legislators.”

Starting a Movement
Successful education-reform advocacy involves donors coordinating their charitable, lobbying, and political donations in an integrated effort to improve the public policies affecting schools. To be sure, philanthropists have long understood the importance of changing policies that undermine American education. When A Nation at Risk appeared in 1983, the Business Roundtable actively encouraged business leaders to advocate for better educational policies at the state level. Ross Perot, for example, worked closely with Texas Gov. Mark White to enact House Bill 72, a controversial “no-pass, no-play” law. It required students who failed a class to sit out all extracurricular activities for six weeks. The law barely survived vehement opposition from high school football coaches (and fans).

Until fairly recently, donors like Perot were relatively rare. “For years, when [education-reform] funders talked about advocacy, they were really talking about communications,” says Chester E. Finn Jr., president of the Thomas B. Fordham Foundation. “They tended to think that if you made a compelling argument, the reforms would take care of themselves. It took them a while to engage the full spectrum of advocacy efforts.”
Starting in the 1990s, a few individual donors began a more sustained advocacy campaign to reform education policy. Leading the movement were the backers of school choice. Perhaps the most significant of the early entries was launched the American Education Reform Foundation (or AERF, a 501(c)(3) nonprofit), which was a “sibling” organization to the American Education Reform Council (or AERC, a 501(c)(4) advocacy group).

“By the time I became involved in the education-reform movement,” recalls William Oberndorf, co-founder of AERF and AERC, “a growing group of individuals, including myself, had become convinced that unless a truly competitive alternative was established to traditional public schools, the educational establishment was simply incapable of systemic and sustainable reform from within.” But Oberndorf, a co-founder of the San Francisco-based investment firm SPO Advisors, realized that systemic reform would require direct involvement in policymaking.

That promising new model attracted the interest of a number of donors. Institutional grantmakers like the Lynde and Harry Bradley Foundation and the John M. Olin Foundation supported the research and educational mission of AERF. Individual donors supported both AERF and AERC, with support for charitable, legislative, and political activity coming from funders like Peter Denton (chairman, Denton Vacuum), Dick DeVos (former president, Amway), the late J. Patrick Rooney (chairman, Golden Rule Insurance Company), and Richard Sharp (former CEO, Circuit City). But perhaps the single most influential advocate for school choice was John Walton, one of Sam Walton’s four children and an heir to the Wal-Mart fortune.

John Walton served in Vietnam. He was a Green Beret; he saw vicious combat—but the fight of his life turned out to be education reform. “John had made a number of promising investments,” says Jim Blew, a longtime advisor to the Walton Family Foundation on education-reform advocacy, “but [he] was frustrated by systemic constraints that kept them from reaching their potential. That’s when he realized we needed to get involved in public policy.”


In 2002, the Supreme Court upheld the constitutionality of school-voucher programs, and over the next decade, school choice programs spread to Utah, Iowa, Georgia, Rhode Island, Louisiana, Indiana, Oklahoma, Mississippi, Virginia, and New Hampshire. By 2012, there were 32 private school choice programs in 16 states and the District of Columbia, serving nearly 250,000 children. (To read more about the progress of the educational choice movement, please see our interview with Betsy DeVos on pages 31–35.)

But for all the movement’s success, advocates still found progress painfully slow. The reason was clear from the beginning. Almost immediately, the backers of school choice learned a hard lesson—one that later advocates would learn as well. “Make no mistake,” cautions Blew, “advocacy is hard. The teachers’ unions, the administrators, the school boards: they have a very-well-developed infrastructure for both lobbying and political campaigns. Some experts argue, and this is a compliment, that the teachers’ unions have the very best political operation in the country.”

Nevertheless, Blew remains an enthusiastic proponent of funders using every tool at their disposal. “I can tell you, from personal experience,” he notes, “that you get much, much more bang for your buck when you’re directly involved in lobbying or elec-

On March 23, 2010, the day of the Tallahassee march, the Florida Senate cast a historic vote to strengthen school choice in the Sunshine State.
Gaining Traction

By 2000, other education reformers had begun to take notice of the success of the school-choice movement. Donors became increasingly interested in replicating its multi-dimensional advocacy strategy. (To be sure, the funders of school choice were not the only education reformers engaged in policy work; Stand for Children, for example, was an advocacy campaign started in 1996 to address public funding at the district level.) At the turn of the 21st century, a new generation of education-reform donors was ready to adopt new tactics—mobilizing voters, hiring lobbyists, and backing political campaigns.

The trend started early in 2000, with a number of leading education philanthropists on the West Coast. “In California,” Don Fisher explained in a 2005 interview with Philanthropy, “the group of us interested in charter schools formed an organization called EdVoice, which is a lobbying group in Sacramento with a budget of about $1.5 million a year. Its objective is to be a balance to the teachers’ unions in the legislature and to fight for legislation that we think is needed for better education.”

Four California business leaders provided the initial funding for EdVoice. John Doerr was a Silicon Valley venture capitalist; John Walton’s inheritance made him one of the wealthiest men in America. Eli Broad turned his homebuilding empire into an equally massive financial empire; Don Fisher was the founder of one of the era’s most successful retailers, the Gap. “Basically,” explains Scott Hamilton, former CEO of the KIPP Foundation and longtime advisor to Fisher, “these four very different gentlemen got together and said, ‘Hey, it’s time to put some political muscle behind our education-reform ideals.’ That was the beginning of EdVoice.”

In January 2005, investment manager Jon Sackler helped launch a similar state-based advocacy group on the East Coast. Headed by a former Rhodes Scholar named Alex Johnston, the Connecticut Coalition for Achievement Now (ConnCAN) immediately began conducting traditional policy research and analysis. ConnCAN’s benefactors also set up a 501(c)(4), the Connecticut Coalition for Achievement Advocacy (ConnAD), which soon started running voter-engagement efforts and lobbying state policymakers.

Both entities were created with an acute awareness of the “last-mile problem,” the tendency of education reformers to focus on innovative policy proposals to the exclusion of building the necessary capacity to turn the ideas into law. Sackler and Johnston were determined to see their efforts through. Vindication came on May 26, 2010, when then-Gov. Jodi Rell signed a comprehensive education-reform bill that lifted the cap on high-performing charter schools, implemented teacher evaluations based on student achievement, and opened the Nutmeg State’s first alternative pathway for principal certification.

Meanwhile, in Manhattan, four young financiers launched a nationwide effort to support education reformers within the Democratic Party. Whitney Tilson, Boykin Curry, Charles Ledley, and John Petry named the new political action committee Democrats for Education Reform, or DFER. In 2007, they hired veteran journalist Joseph Williams to head the PAC, as well as a 501(c)(3) called Education Reform Now, and a sibling 501(c)(4) known as the Education Reform Now Advocacy Committee.

“People ask us all the time why we can’t call ourselves ‘Everyone for Education Reform,’” chuckles Williams. “Our answer is that we’re trying to attack the problem head-on, and historically education reform has faced problems within the Democratic Party. Over the years, it’s been our experience that most education reforms—however non-partisan or bipartisan—were assumed to be Republican. If everyone assumes it’s a Republican issue, it becomes partisan, and that’s just counter-productive. So we think we have to be hyper-partisan for a while, in order to get the Democrats caught up. Then we can get to a bipartisan working environment.”

Bringing in Bloomberg

Among the newest—and potentially most consequential—funders of education-reform advocacy is Michael Bloomberg. With an estimated net worth of $27 billion, the founder and 88 percent owner of Bloomberg LP has the resources to play a leading role in the sector. And with his third term winding down, the 108th Mayor of New York City has made it known that he intends to continue pressing many of his signature policy issues as he returns to private life.

Foremost among the causes that Bloomberg is expected to champion is education reform. “Along with the Gates and Walton families, Bloomberg is an 800-pound gorilla of education reform,” says one D.C.-based expert. “Nobody knows exactly what he’ll do, but we know it could be really big. He’s hir-
ing some of the most impressive people in the field. He’s ed reform’s $20 billion question mark.”

Improving public education has been a priority for Bloomberg throughout his three terms in office. In 2002, he wrestled control of the city’s public schools from the long-dysfunctional New York City Board of Education. The nation’s largest school district—serving approximately 1.1 million students with about 75,000 teachers in some 1,700 schools—was placed under mayoral control. In July 2002, Bloomberg announced the appointment of his first Chancellor, Joel Klein.

Over the next decade, Bloomberg and Klein led an ambitious reform agenda. They braved intense opposition, closing more than 100 of the system’s lowest-performing schools, while opening dozens of promising new charters in low-income areas. They re-wrote the rules governing teacher tenure. (Before the new regulations went into effect, 97 percent of eligible teachers received tenure; in 2012, only 57 percent received tenure.) They raised teacher pay and increased the budgetary authority of principals. Most importantly, student test scores began a long, slow, steady climb. The extent of academic improvement is sometimes disputed, but even Bloomberg’s critics acknowledge that the trends generally point in the right direction.

Through all of the fights, Bloomberg learned something instructive. “Progress really is possible,” he insists. Sure, there will be bruises. But he has known that for a long time. Bloomberg brings a thick skin to education reform —thicker, perhaps, than most donors. He spent decades in the cutthroat world of finance, only to cap his career with 12 years in the bruising arena of New York City politics. (“I have learned that no good deed goes

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**Why Has This Taken So Long?**

Donors have informally aligned their charitable and political contributions since the creation of the modern tax code. Starting in the 1960s, nonprofit organizations like the Sierra Club, the NRA, and AARP began structuring parallel entities (“siblings”) to allow funders to coordinate their charitable, legislative, and political giving. Education-reform groups, however, did not adopt similarly sophisticated advocacy efforts until relatively recently. Why?

**“You can’t fight fire with a flashlight.”**

I’m a think-tanker myself, and like many think-tank types I’m partial to the somewhat naïve belief that solid data and good analysis will always ultimately win. What we came to discover, however, was that the opponents of real reform were not interested in our arguments. They had different incentives and would stoop as low as necessary to thwart any attempt at meaningful change. Reformers eventually realized that they would have to get their hands dirty. Strong-arming policymakers, raising campaign funds, recruiting candidates—it’s all politics, with all the messiness and sharp elbows that politics can bring. In that effort, research and analysis are necessary, but not sufficient. We kept bringing flashlights, but you can’t fight fire with a flashlight. You have to fight fire with fire.

—Chester E. Finn Jr.

President, Thomas B. Fordham Foundation

**“It’s at least a 10-year process.”**

I work for two 30-plus-year-old philanthropists. They’re interested in advocacy efforts in part because they have a longer timeline for discovering workable solutions. If you’re working with an 83-year-old philanthropist, he doesn’t want to start a 10-year project. Well, I hate to tell you, but reforming a dysfunctional K–12 educational system is at least a 10-year process. It’s understandable that many other guys say, “Well, I’m going to build a charter school and help a couple hundred families.” That’s cool. I can’t fault you. I’m happy that somebody is going to help those 300 families. But we have a longer horizon, and we’re focusing our work on trying to help 30 million families.

—Denis Calabrese

President, Laura and John Arnold Foundation

**“It can come back to bite you.”**

Every big player in this realm is keenly aware of the fact that if you get active politically, you need to do so carefully. It can come back to bite you—or your corporate interests.

—Scott Hamilton

Former CEO, KIPP Foundation
unpunished,” he explained in a 1997 interview with Philanthropy. “Only in New York—you could stand on the corner and give away $1,000 bills and annoy somebody.” The key to successful advocacy, he insists, is a single-minded focus. “For us,” he says, “the criterion for every decision is simple: Is it good for children?”

Bloomberg gives to a range of education-reform initiatives: charitable, legislative, and political. “As Mayor of New York City,” he says, “I am reminded every day that philanthropy is a drop in the ocean compared to the amount of funding provided by the public sector. One effective way of using inevitably small-scale philanthropic funding is to leverage the use of the much larger scale of public resources. One way to do that is to support local leaders championing important political and policy change.”

The recent school board elections in Louisiana were perhaps the most notable example of Bloomberg’s strategy. In 2011, Bloomberg helped create momentum for the selection of 36-year-old John White as the new State Superintendent of Education. White was a Teach For America corps member who later served for five years as a top deputy to Joel Klein. In May 2011, White was appointed Superintendent of the Louisiana Recovery School District. He hit the ground running, immediately implementing a three-year strategic plan, trimming the central office by one-third, and devising a plan to overhaul the failing schools still in the RSD.

Education-reform funders nationwide took notice. Working with parents and local reform advocates, they looked forward to the fall elections for the Louisiana Board of Elementary and Secondary Education, the body which votes to appoint the Louisiana Superintendent of Education. Using PAC and 501(c)(4) monies, Bloomberg spent $330,000 to help elect like-minded state school-board members.

Lessons Learned

Don’t be afraid to take a risk. Life is too short to spend your time avoiding failure. If I had worried about failure—or listened to those who do—I would never have started my company or run for mayor. I can’t imagine my life if I hadn’t taken those risks. Not every risk will work out, but that’s okay. Failure is the world’s best teacher.

—Michael Bloomberg
Mayor, New York City

First, don’t underestimate the opposition. They’ve been at this for years and they’re really good at it. Second, to get it right, you have to be patient and you have to work over time. If you’re not vigilant, the opposition will come back and will overturn your progress in the next cycle. Third, you have to realize that advocacy does pay off. We have seen real progress in places like Florida, Louisiana, Indiana, Tennessee, and, most recently, Georgia and Washington. We would not have succeeded in those places if we sat on the sidelines and didn’t get involved in some tough political fights.

—Jim Blew
Senior advisor, Walton Family Foundation

Well, it took me a while to understand that an advocacy and political effort has to go hand-in-glove with the charitable effort. Ultimately, elected officials make decisions about legislation that can either permit or preclude meaningful educational reform.

—Betsy DeVos
Chairwoman, American Federation for Children

We have to remember: This isn’t about us. It’s not about being in the paper, bragging about what we did. It’s about getting the job done. That’s the biggest lesson from John Kirtley. Sometimes you have to be out front, and sometimes you’re better if you’re not out front. You have to have the maturity to know the difference.

—“Tammy Hall”
Pseudonymous New York–based education advocate
Local sources exceeded Bloomberg’s donation, with about $500,000 in contributions.

In January 2012, a new board was inaugurated—with a 9-2 supermajority in favor of reform. The new board made its first order of business the appointment of John White as Superintendent. “We look for places where strong leaders are putting kids first,” says Bloomberg. “We look for local leaders who are championing important political and policy changes and making real strides. We look for places where we can help establish a proof-point of what’s possible to improve student success at large scale.”

Of course, Bloomberg has many philanthropic interests besides education reform. One of his first charitable contributions was a $5 check to his alma mater, Johns Hopkins University. Since then, he has given Hopkins a total of more than $1.1 billion, making him the largest single benefactor (in nominal dollars) of any school in American history. He has also long been interested in public health; in late February, for example, he donated $100 million to the Global Polio Eradication Initiative. He likewise funds environmental groups, public-service innovation contests, and arts organizations.

But education remains especially close to his heart. “We cannot accept excuses for inaction or delay, because our children cannot afford it,” he explains. “We support those with the courage to lead boldly on behalf of our children, so they are prepared to succeed in school—and in college and careers.”

“We have an obligation to stand up for our children, for their lives, their futures, their hopes and dreams,” concludes Bloomberg. “And that means putting their needs first. I’m optimistic that we can succeed. Partly because we’ve seen here in New York City what a difference reform can make, and partly because I believe the entire country is reaching a tipping point in terms of recognizing the severity of this problem—and demanding action.”

**Mobilizing Millions**

Michelle Rhee was in Hawaii, on vacation, as the voicemails filled her phone. It was supposed to be her honeymoon, but she and her fiancé had postponed the wedding. They had decided to treat the trip instead as a long-overdue opportunity to relax and unwind. Rhee, however, could not relax. She was furious.

On September 14, 2010—two days before the couple left for Hawaii—Adrian Fenty lost his primary bid for re-election as Mayor of the District of Columbia. D.C. Council Chairman Vincent Gray won the Democratic nomination (and thus, essentially, the election). Fenty’s loss can be attributed to a number of factors, but foremost among them was the absolute antagonism of the teachers’ unions.
Fenty had steadfastly backed the reform agenda of his Chancellor of D.C. Public Schools. Fenty lost, in no small measure, because of his support for Michelle Rhee.

At first, Rhee’s fiancé insisted that she not check her BlackBerry. Kevin Johnson certainly understood stress; Johnson was a retired NBA All-Star and was serving as the first African-American mayor of Sacramento. Unplug your phone, he told Rhee. It will be good for you. But Rhee couldn’t relax, and after a couple of days, Johnson relented. She picked up her phone and checked her voicemail.

Job offers poured in from policymakers nationwide: Mayor Rahm Emanuel of Chicago, Gov. Chris Christie of New Jersey, Mayor Antonio Villaraigosa of Los Angeles. There were offers of support from California gubernatorial candidate Meg Whitman and former New York City Schools Chancellor Joel Klein. Appointments were hers for the taking at nonprofits like the Broad Foundation, the Hoover Institution, or the Aspen Institute.

When the couple returned to the mainland, Rhee stopped in Sacramento to visit Johnson. On September 24, she met him and his mother, Georgia (“Mother Rose”) West, at Mulvaney’s restaurant, a few blocks from the state capitol. The three of them started talking about why Fenty had lost. To Rhee, the answer was clear: “I didn’t figure in the power of the unions.”

If education reform had any hope of advancing, they decided, it would need to match the political strength of its opponents. “We settled on a plan to create a national advocacy group that would raise money and build membership with the goal of providing political muscle to leaders who stood for change. We had no name, no staff, no business plan, no location. All we knew was that it was going to be big.” The three settled on two concrete goals: a nationwide membership of one million, and a budget of $1 billion.

Rhee immediately started reaching out to the country’s leading education-reform philanthropists. She called Jim Blew and asked him to request a commitment of $100 million from the Walton family. She went to New York to meet with Ted Forstmann, who pledged $50 million. She met with John and Laura Arnold in Houston, Eli and Edythe Broad in Los Angeles, and the Fisher family in San Francisco.

With initial funding in place, she looked for a way to draw attention to the new group. On December 6, she donned a smart tweed outfit, went on Oprah, and announced the launch of StudentsFirst.

StudentsFirst is a full-spectrum advocacy effort, with 501(c)(3), 501(c)(4), 527, and PAC capabilities. “I strongly believe that until we can change the laws and policies that are in place,” says Rhee, “we’re never going to really see a shift in the trajectory of the reform momentum.” Much of the effort involves 501(c)(4) issue advocacy, but, notes Rhee, “part of it is also electoral work, to be quite frank.”

Rhee has seen it time and again. “Many politicians will say, behind closed doors, ‘Yes, I get your issues. And I agree—I have kids—but I can’t do anything about it. The powers that be will not like that. If I go with you, they will run somebody against me, and that would mean I may not be here in the future. And, quite frankly, I think the world is a better place if I’m in office.’”

Of all the education-reform advocacy groups, StudentsFirst stands out for the scale of its ambitions and the size and scope of its operations. “We operate as a national organization,” says Rhee. “We are a membership organization with more than two million members across the country. They are a very active membership, which we’ve found is crucially important. Not only do you need the dollar resources to back a candidate, but you want boots on the ground, too. If you have people who are willing to knock on doors and man phone banks on behalf of politicians, that is a huge help.”

Rhee set a second-year goal of increasing StudentsFirst to two million members. They made it. “We just met that mark in December,” smiles Rhee. “For our third year, we are actually changing the focus of our membership. We’re putting much less focus on membership acquisition, because we actually feel like two million members is a very strong base on which to build.”

The new goal is inspiring a committed group of activists. “What we are focused on now is growing the number of what we call our core,” says Rhee, “people who not only are opening and reading our emails and will take an occasional action here or there, but people who are willing to go out there and mobilize their neighbors to lead the
charge. We have a goal of having several hundred of what we call transformation team leaders, and active transformation teams all over the country through our third year.”

StudentsFirst has doubled its expenditures each year that it has been in existence, and Rhee anticipates another large increase in expenditures in 2013. “Our goal is to achieve a steady state of about $200 million a year,” she explains. “A lot of people look at that number and say, ‘Well, that’s just astronomical. What are you going to do with $200 million every year?’ Well, let’s compare that with other advocacy groups that we’re fighting against every day.” The two national teachers’ unions, Rhee points out, have an annual budget of $2.2 billion and they spend about $500 million on advocacy—“and that’s a relatively conservative estimate on political activity.”

The reform agenda for StudentsFirst is broad and sweeping. At its heart, it boils down to three key areas: elevating the teaching profession, empowering parents, and spending taxpayer dollars wisely. “There are 37 specific policies for which we advocate within those three areas,” says Rhee. “What we hope to do differently is not just to get people engaged around a particular fight. Whether it’s a fight to lift the charter cap in New York or the constitutional amendment in Georgia, we’ve been able to take on singular fights and get a lot of momentum and win those specific fights. The problem for a long time has been that, once it’s won, people—whether they’re philanthropists or politicians or other activists—they say, ‘Okay, done! Educational reform, check the box. We can move on now.”’

That strategy, says Rhee, allows her opponents to roll back the individual wins, picking them off one at a time. To counter those rollback efforts, StudentsFirst is running a rolling offense, constantly advancing on a broad range of initiatives. “What we’re trying to do through our policy agenda is show people that they can move on any one of our 37 policies, but it’s not really going to move the entire ball forward in a significant way,” says Rhee. “This is an undertaking that has to be a sustained effort over a 5- to 10-year period to get all 37 of these policies put in place. It’s not just situational fights. It’s a comprehensive strategy, and it’s going to take a long time, and you’ve got to be in for the long haul.”

For an organization not yet three years old, StudentsFirst has strung up a remarkable series of victories. “In the 17 states where we’re active,” smiles Rhee, “we’ve passed more than 115 policies. If you read our policy agenda, you’ll know these are not soft policies. They have been thought of as
extraordinarily controversial for a long time. We’ve helped to push some important ballot initiatives, like the ones in Cleveland and in Georgia, and we’ve also helped to defend places like Michigan where the unions were trying to roll back some very strong reforms. Finally, we supported more than 100 political candidates in the 2012 election—with a win rate of about 75 percent.”

Researching New Approaches
John Arnold has never been one to accept easy answers. “I had him for an economics policy course,” one of Arnold’s college professors told Institutional Investor in 2011. “He didn’t just accept the answers given him because I was the teacher. He pushed you and he pushed others, but never in an obnoxious or aggressive way. He wanted to understand how things worked and would ask questions both inside and outside the class. He was not satisfied with just good grades or pat explanations.”

Arnold graduated from Vanderbilt University in 1995, after double-majoring in mathematics and economics and finishing his bachelor’s degree in three years. He went to work for Enron, where he quickly established himself as one of the company’s most aggressive—and successful—natural gas traders. By the late 1990s, he was handling daily contracts of nearly $1 billion; in 2001, his trades were rumored to have netted Enron $750 million.

When Enron imploded in 2001, Arnold walked away with his reputation intact. In 2002, he recruited a number of his former colleagues and launched Centaurus Energy, a Houston-based hedge fund specializing in natural gas. At Centaurus, as at Vanderbilt, Arnold was never satisfied with pat answers. “Known for his research and analysis of everything from minute shifts in weather patterns to the frequency of tanks arriving at ports that dot the Gulf Coast,” reported Institutional Investor, “Arnold surrounds himself with some of the best speculators, meteorologists, and researchers in the country.” According to one former hedge-fund executive, Arnold “wants the guys with the intellectual horsepower, but what he also wants to know is if you are disciplined. Will you get up early and do the work? That’s all he cares about.”

Over the next decade, Arnold’s relentless focus on research and analysis led Centaurus to spectacular gains, including multiple years with triple-digit returns. Most of the profits came from major trades, occasional moves that Arnold declined to make until the data had absolutely convinced him to act. Nowhere was this more evident than in Centaurus’ faceoff with Amaranth Advisors, a $9 billion Connecticut-based hedge fund. Arnold believed that Amaranth overestimated the likelihood of high prices. A mild winter moved the market in Arnold’s direction, driving Amaranth into bankruptcy and earning Centaurus a 317 percent annual return.

In 2012, at 38 years of age and with an estimated net worth of $3.5 billion, John Arnold announced his retirement. He and his wife, Laura, a Yale-educated lawyer and former corporate executive, planned to dedicate the remainder of their careers to philanthropy. And their philanthropy is taking its cues from the practices that made Centaurus so spectacularly successful.

In philanthropy as in business, the Arnolds are looking to concentrate their resources on a small number of the most promising investments. “I think we have a bias to concentrating our investments,” explained John in a series of video interviews at GiveSmart.org. “We’re willing to make a bigger investment in fewer organizations.”

Laura underscores the point. “We invest very opportunistically,” she adds, “very aggressively.” The outsize investments match an outsize ambition—transformative change—“big, bold change, in our lifetimes,” as she puts it.

The Arnolds have focused their funding on four core areas: reforming public pensions, reforming the criminal justice system, restoring research integrity in the sciences (including the social sciences), and reforming K–12 education. In all four areas, they weigh a range of advocacy strategies. It is “vital,” explains John, to “do (c)(3) work, but also (c)(4) work, the advocacy work. And, if necessary, we support candidates who we think are willing to make some tough political actions.”

What sets the Arnolds apart is how they sequence their initiatives. Most advocacy efforts, explains Arnold Foundation president Denis Calabrese, begin with the assumption of a solution. “Almost by definition,” he notes, “an advocacy group starts out by saying, ‘This is what needs to be done.’” The 501(c)(3) research and analysis capabilities follow behind whatever is assumed to be the solution. Research supports the advocacy effort.

“John and Laura begin at a very different place,” Calabrese says. “What they will do is ask, ‘What societal challenge are we trying to overcome? What are the failings of that system? Let’s analyze those in molecular detail.’ First we have to be sure we understand the problem, not start with the solution.”
When the Arnolds first engaged in education reform, the project struck John as “pretty easy.” He would find a successful organization, fund its expansion, and, as he puts it, “walk away.” But as time went on, he felt increasingly uneasy. It struck him as too easy, too pat. So he and Laura decided to learn more. “Our next step was to stop writing checks,” explains John. “We stepped back and figured out our beliefs on these topics.”

The Arnolds delved into the research, instilling the analytical discipline that had guided their hedge fund into their foundation. “Why have people put a lot of money into some of these issues—especially education—and we don’t have the right answer?” asks John. “Let’s spend a year, or two, or three, and not write the checks. Let’s just go meet everybody, get a lot of different opinions, read, and do our own research. And then we can try to do this in a more educated fashion.”

It was not an academic exercise. The Arnolds are looking for practical solutions to real-world problems. “Can we find a realistic pathway to try to help on this problem?” asks John. “We consider the issues that the foundation addresses to be relatively apolitical. These are issues where both the left and the right have realized that the current status quo isn’t working, and we need to meet and figure out ways we can meet and agree on changes.”

“At the end of all that study, when John and Laura have finally figured out what they want to do, it may be the case that they need to change a law,” explains Calabrese. “Well, John and Laura are private individuals. They fund a 501(c)(3) private foundation, and none of the people who work for the foundation do any advocacy work. The foundation team works on the research, educational, and problem-solving side. John and Laura work on advocating for the solution through a separate 501(c)(4). Now, I’m a consultant for that (c)(4), but that role is totally separate from my (c)(3) role. And I’m paid separately for what I do for the (c)(4).”

If the Arnolds’ research efforts focus on real-world solutions, their advocacy efforts present lawmakers with fairly pragmatic proposals. “This is why our stuff works,” says Calabrese. “Look, I spent years in politics. To be honest, the bills and proposals that are brought before legislators are often embarrassingly weak. What we try to bring them is the gold standard. Here I am—a libertarian, Dick Armey’s former chief of staff—and I’m working with some well-known partisan Democrats to pass pension reforms. And it works because we’re not treating pension reform as an ideological question. We’re treating it as an accounting problem. So the question is: How do we fix it?”

Calabrese points to another benefit of the Arnolds’ strategy: it alleviates the need to engage heavily in direct political involvement. “Yes, John and Laura make some political donations,” he notes, “but it’s orders of magnitude less than their (c)(3) and their (c)(4) contributions. Now, why is that? Well, I think they’re looking at issues where there’s a sense of urgency. If a problem is bad enough, they can sidestep a lot of the politics. They can put all of our focus on workable and fair solutions. If they hit the right balance, they don’t have to run campaigns for or against anybody.”

Successful advocacy, notes John, has a degree of permanence that many other philanthropic ventures lack. “Many times in education, a foundation will push for years to get a program or an idea into a district or schools,” he explains. “And they get it in, and they think that’s the big success. A year or two later, the superintendent leaves. A new super comes in, and that program isn’t the new guy’s work, and it gets swept away. By this time, the foundation is on to its next project. So it spent several years and a lot of money trying to get this program incorporated into the district, but if it’s not there on the advocacy side, on the political side, to make sure these programs are supported, then it can be worthless.”

Achieving that permanence is at the heart of the Arnolds’ education reform advocacy. “In 10 years, we’d like to see that the reforms we believe benefit society have been implemented, that they have worked, and that they’ve become systemic,” concludes John Arnold. He wants his education reforms to “become part of the system, such that we don’t have to have a lobbyist in every state legislature every year.” Once he and Laura have “proven that these reforms can create a better equilibrium for society,” their efforts will become “embedded in the system, and we can move on to other things.”