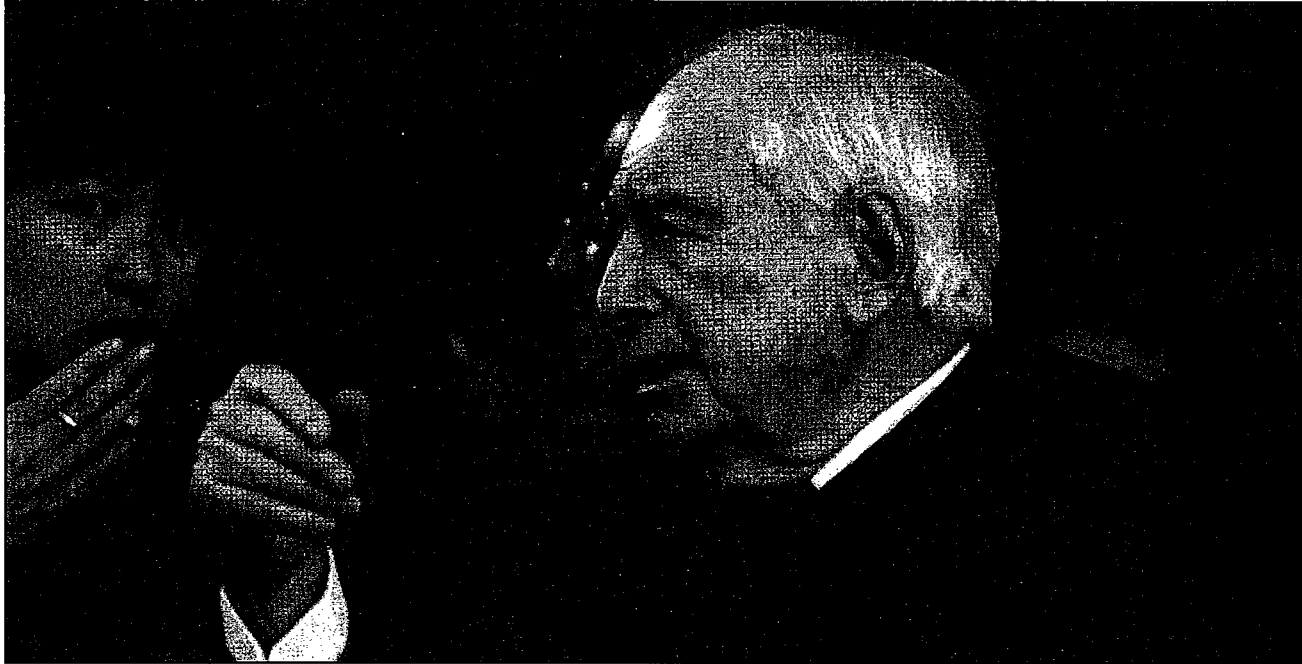


March 1998

Foundation Watch

Lining the Pockets of Bureaucrats: Annenberg's Misguided Effort to Save America's Schools by Patrick Reilly



AP/Wide World Photos

Philanthropist Walter H. Annenberg waits to receive an honorary degree from Harvard University in June 1996. The philanthropist's \$500 million gift to public schools has earned him much praise, but where are the results?

On December 17, 1993 President Bill Clinton hosted a White House ceremony at which he announced what was billed as "the largest single gift ever made to American public education:" a \$500 million, five-year school reform effort launched by Walter H. Annenberg and his Annenberg Foundation.

"This extraordinary act of generosity and civic concern is a wonderful Christmas present to America's children and a reaffirmation of the importance of public education," Clinton proclaimed.

The impressive gift seemed to fuel the imagination of educators and parents nationwide: What wonderful things could we do with such a large contribution to our public schools? After so many years of complaints from education officials and union

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leaders about an alleged lack of funds, could this be the solution to our public schools' dismal performance?

There seemed little doubt that Annenberg had made a great social investment that was certain to improve children's lives and America's future.

But today, as the Annenberg Challenge proceeds into its fifth and final year, all hopes have diminished. The promised improvements have yet to be realized. Several of the programs funded by Annenberg took months and years to get off the ground, frittering away time and money.

Walter Annenberg is 90 years old this month. Does the successful businessman and diplomat realize that the gift that was to be his great legacy has failed to prompt any lasting, significant reform? Instead Annenberg's gift has taught other philanthropists

where *not* to invest their fortunes: in the large, unwieldy government school system that favors bureaucracy over the needs of children.

Difficult Challenge

From the outset, Walter Annenberg's attempt to reform public education was recognized as a Herculean task, and his grant program's broad design reflects its ambitious goals.

Labeling his effort the "Annenberg Challenge," he understood that broad reform requires substantial support from other players.

"This must be a challenge to the nation," Annenberg said when he announced the gift. "It will take individual giving, corporate giving and foundation giving to do the job. I believe those who control sizable funds should feel an obligation to join



Foundation Watch

A Publication of the Capital Research Center

Volume III, Number 3
March 1998

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this crusade for the betterment of our country.”

In one important respect, the grants do challenge. Each recipient is expected to match the amount, often two-to-one, by raising additional contributions from government, foundations and corporations. Annenberg also urges political leaders to “promote widespread public support for resolute and sustained public investment” in public schools.

But the grants also reinforce. Instead of offering a new design for school improvement to replace failed programs or supplement current reform efforts, the Challenge funds ongoing efforts that show promise. *Pro bono* advisor Vartan Gregorian, president of the Carnegie Corporation of New York and former president of Brown University, helps to select grant recipients. The Challenge’s national coordinator is Barbara Cervone.

Immediately following Annenberg’s announcement of his \$500 million gift, grants were provided to two established programs. Brown University’s Annenberg Institute for School Reform received \$50 million to build alliances among reform projects, especially the Coalition of Essential Schools, a back-to-basics effort run by Theodore R.Sizer. Sizer directed the Institute and was an education professor at Brown until June 1996.

The New American Schools Development Corporation (NASDC), which was struggling in 1993 to meet its fundraising goals, also received \$50 million, to be matched by other sources. The nonprofit was formed in 1991 by corporate and foundation leaders as part of President George Bush’s “America 2000” initiative.

NASDC encourages and assists public schools to duplicate any of seven tested models for school improvement. However, a 1996 evaluation of the NASDC program by the RAND Corporation found limited progress, with reform teams frustrated in their efforts to give teachers larger decision-making roles and to increase the autonomy of individual schools.

In 1995 the Education Commission

of the States (ECS) received \$13.1 million from the Annenberg Foundation to work with governors in promoting NASDC’s models and other promising school designs. Led by Governor Terry E. Branstad of Iowa, ECS is a nonprofit association of 49 states (only Montana is not a member) and American territories that helps states develop education policies. ECS last year provided training and technical assistance to NASDC participants and state leaders as part of the Annenberg effort.

Most of the Annenberg Challenge grants, about \$400 million, support school reform efforts in major cities and in rural areas. Participating cities include Boston, Chicago, Detroit, Los Angeles, New York, Philadelphia, San Francisco and others.

The Rural Challenge, established in Granby, Colorado in September 1995, is charged with distributing \$50 million to rural schools nationwide. Grants support existing networks of rural schools and other reform programs in rural areas.

Other Challenge components include efforts to recognize exemplary schools and teachers, arts education, a school-university cooperation program and a national electronic library for public schools.

Dollars & Sense

In an October 1997 article, the *Washington Post* questioned the effectiveness of the Annenberg Challenge. Reporter Rene Sanchez cited “the politics of big-city school systems” and suggested that the division of funds “among so many groups for so many purposes” explains the failure of Annenberg’s grant program.

But if the Annenberg Challenge has failed to prompt significant school reform, there may be a more simple and compelling reason: Annenberg relies on the power of money to influence change in a government bureaucracy. This emphasis on funding ignores the real problems in the public schools.

Annenberg appears to accept the oft-repeated complaint that the pub-

lic schools lack financial resources. Only two elements distinguish the Annenberg Challenge from other school reform efforts that have failed in the past: the large amount of money provided and the method of leveraging additional support through matching contributions.

Those who believe money is the key to success naturally are thrilled with Annenberg's generosity and his method of inducing others to join him. But money is not the solution.

According to the National Center for Education Statistics (NCES), average per-pupil expenditures (excluding capital expenditures) in U.S. public schools increased, in constant 1995 dollars, from only \$2,153 in 1960 to \$6,123 in 1995. Although the rate of increase has slowed recently, it is clear that the almost three-fold increase in expenditures has not resulted in a significant improvement in basic education.

Private schools, which tend to provide more rigorous programs with better results, charged an average of \$3,116 in 1993-94 (the most recent data published by NCES). The tuition for Catholic schools was only \$2,178.

NCES estimates that the U.S. will spend more than \$300 billion on public education in 2002-03. Could \$500 million over five years, even if it were tripled by matching contributions, have any significant effect?

Not likely. It is clear that the public schools direct only part of the increased funding they receive to the classroom. Other industrial nations allocate 15 to 20 percent of their education budgets for nonteaching personnel — i.e., administrators, maintenance staff, psychologists and counselors, health personnel. By contrast, the U.S. allocates 25 percent. In 1993-94, only 54.5 percent of the \$231.5 billion spent by public schools was used for instruction.

The problem is not a lack of money. It is school system mismanagement that naturally derives from the inefficiencies of any government-run program. The Annenberg Challenge simply increases the money flow to a sys-

tem that diverts grants to serve the interests of politics and bureaucracy. Although Annenberg mandates how his money may be used, he cannot prevent school officials and teachers from using programs to suit their narrow interests, not children's needs.

Walter Annenberg's investment in public schools frees up other tax revenues that might have been allocated to similar projects and needs. If a project funded by the Challenge pays for teacher training, improved facilities, preschool programs, curriculum development and other operations, where do the taxpayer dollars already allocated for education go?

Experience shows that it is the bloated public school bureaucracy

*The Annenberg
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that benefits, not children. Even strictly targeted reform projects cannot avoid the chronic problem of administrators and non-teaching personnel filling their pockets with the largesse of school reform.

"The reality is that there's no such thing as positioning yourself outside the district," admits Barbara Cervone, national coordinator for the Challenge, to *Education Week*. "There's no bribe big enough for districts to let a piece go."

Sizer also admits problems with Annenberg's approach: "If I had been king, I would have spent a lot less time negotiating through the system as it was and is and much more time in funding 'different' systems. I just don't think that putting the control in the hands of the existing hierarchy is going to do it."

Providing large sums of money to tinker within the system is not going to improve student learning. Only reforms that apply external pressure

on public schools, such as unfettered competition from private schools through parental choice, are likely to make a difference.

Philanthropists who want to make their mark on America's schools should follow investors Theodore Forstmann and John Walton, who gave \$3 million each last year to a scholarship program for low-income children in Washington, D.C.

Competition: that's where the true challenge to reform begins.

Broad Targets

The Annenberg-funded school reform projects in major cities have received much attention and fanfare with few results. Summaries follow:

- *New York City*: The first major city to receive a Challenge grant was New York City in September 1994. The city received \$50 million, to be matched two-to-one by public and private sources, to replace overcrowded schools with 50 smaller experimental schools over five years. Smaller schools are expected to encourage greater individual attention to students and more parental involvement. The city started 125 schools serving 50,000 students from 1993 to 1997.

Last year, however, schools chancellor Rudy Crew thwarted the reform effort. Claiming he found schools' reliance on private and foundation resources disturbing, Crew issued rules mandating minimum enrollments for schools. Small schools must grow or lose their limited autonomy from district bureaucrats.

Another \$12 million grant to New York City schools was announced in December 1996. The grant, part of the Annenberg Arts Education Initiative, funds the development of an arts education curriculum for public schools.

- *Los Angeles*: In December 1994 the Annenberg Foundation granted \$53 million to the Los Angeles Annenberg Metropolitan Project (LAAMP). The grant must be matched by government and private

contributions over five years, providing a total budget of \$106 million.

The LAAMP program — designed by two education deans, Guilbert C. Hentschke of the University of Southern California (USC) and UCLA's Theodore Mitchell — focuses its reform efforts on small groups or “families” of public schools, hoping that targeted efforts will develop into district-wide improvements. Funded projects include Saturday classes for students and parents, computer equipment purchases and a summer training academy for teachers, co-sponsored by the Ford Foundation.

LAAMP has demonstrated only limited progress: while student test scores have increased slightly, a large proportion of students continue to score below average. Implementation of the program was delayed two years following the Challenge grant. After its first year in 1997, LAAMP's own directors could point only to incidental “indicators of success:” improved attendance, dropout rates, suspension rates, numbers of students taking “rigorous” courses and parent participation.

LAAMP also faces difficulties as it overlaps with the district's prior effort, called LEARN, which began in 1993. That program has been implemented in only half of the district's schools, and critics have stalled its expansion, citing a lack of results.

• *Chicago:* The Annenberg Challenge provided \$49.2 million for school reform in Chicago in January 1995. The grant must be matched two-to-one by government and private contributions over five years.

Provided at a time when Chicago schools faced a \$300 million shortfall, the grant is being split among more than 200 schools. Emphasis is placed on teachers' professional development and small learning communities, as well as improving literacy, arts studies and parental involvement. Partners in the effort include the Chicago Teachers Union and the John D. and Catherine T. MacArthur Foundation.

Reformers in Chicago have been forced to slow their efforts while they provide additional training and assistance to schools at which the program has not taken hold.

• *San Francisco:* A \$10 million grant from the William and Flora Hewlett Foundation and \$15 million from William R. Hewlett were matched by the Annenberg Foundation in May 1995 to form the Hewlett-Annenberg Challenge Grant. The combined \$50 million, matched by local contributions, supports a \$100 million, five-year school reform effort in the San Francisco Bay Area. The program includes teacher training and support for 200 “leadership schools” to experiment with various reforms.

A separate statewide effort to reduce class sizes hindered the San Francisco effort last year, as schools attempted to accommodate new teachers and find additional space.

• *Boston:* In October 1996 the Boston Public schools received a Challenge grant of \$10 million, to be matched two-to-one. Private donors include the Boston Foundation, Charles Hayden Foundation, Hirsch Family Foundation, Bank Boston and John Hancock Financial Services.

The grant supports charter schools and other school programs to de-

Annenberg: Entrepreneur, Diplomat, Philanthropist

Walter H. Annenberg is the former CEO of Triangle Publications, which he inherited from his father Moe. The elder Annenberg was a personal enemy of Franklin Delano Roosevelt, who allegedly prompted an IRS probe that resulted in Moe Annenberg's conviction for evading \$9.5 million of federal taxes. Removing this blight on the family name has “obsessed” Walter, writes biographer John Cooney.

The younger Annenberg rebuilt Triangle, founding the very successful *Seventeen Magazine* and *TV Guide*. He also owned the *Philadelphia Inquirer*, *Philadelphia Daily News*, *Daily Racing Form* and six radio and television stations. In 1988 Annenberg retired and sold Tri-

angle to Rupert Murdoch's News Corporation for \$3 billion.

Annenberg served as U.S. ambassador to Great Britain from 1968 to 1974. A Republican, he built close relationships with former presidents Richard Nixon and Ronald Reagan.

In line with his political views, Annenberg recently led a successful tax revolt in his home county in Pennsylvania. The Delaware County personal property tax targeted investments in non-Pennsylvania companies, requiring Annenberg and his wife to pay almost \$3.5 million in 1996. Annenberg and others sued the county, forcing it to abandon collection of the tax last year while the case progresses. The U.S. Supreme Court struck down a similar tax in North

Carolina in 1996.

The billionaire has a lot to protect. He is well-known for his lavish lifestyle and his generous philanthropy through the Annenberg Foundation and other charities. *American Benefactor* magazine ranks Annenberg as the still-living American who has given the most to charity over his lifetime.

“Anyone who wants to live poorly in order to die rich is a sick individual,” Annenberg says.

Much of his wealth has been given to his foundation, which had assets of \$1.8 billion in June 1996 and distributed \$88.8 million in grants the previous year. Annenberg receives a salary of \$500,000 for his service as president and chairman of the

velop new instructional programs. Money also goes to the Center for Leadership Development, an organization created by the Boston Teachers Union and Boston Schools Committee to train school reform leaders, and to the New England Science Center, which trains teachers to use computers when teaching earth sciences.

Lagging in Detroit

In October 1996 the Foundation gave a \$20 million, five-year grant (to be matched two-to-one) to Detroit's Schools of the 21st Century Initiative. The program calls for greater collaboration among students, parents and schools and greater school autonomy from the district bureaucracy. Donors include the W.K. Kellogg Foundation, Kresge Foundation and Skillman Foundation.

Detroit's public schools are among the worst in the country. The *Detroit Free Press* reports that "the percentages of Detroit 11th-grade students rated proficient on the 1996 High School Proficiency Test were low: 14.6 in math, 5 in science, 19.4 in reading and 11.2 in writing." Just prior to the

Annenberg grant, the school system was preoccupied with a shortage of toilet paper.

The problem is that the 15-member board of Schools of the 21st Century includes representatives of organizations that are responsible for the collapse of Detroit's public schools. These include the Organization of School Administrators and Supervisors, Detroit Board of Education, Detroit Federation of Teachers, Michigan Department of Education, Detroit Public Schools and mayor's office.

The *Detroit News* quickly criticized Annenberg's bail-out strategy. In a November 1996 editorial, the editors note that a similar \$113 million effort, started by the nonprofit Detroit Renaissance in 1989, had previously failed to meet investors' expectations.

A 1997 report on Detroit's schools funded by the Kellogg Foundation found slight improvements in student test scores over the previous year, but the scores were traditionally low and variable among schools.

"We seem to have bottomed out in the downward trend of our test scores," said Willie G. Scott, Ph.D.,

an author of the report. "They've stabilized — but not at a level we're comfortable with."

Although *Education Week's* 1998 national report card praises the infusion of cash into Detroit's schools, it finds only small improvements. The report notes that school districts are revolting against Michigan's state-wide program to provide funding for reform efforts, because the program carries restrictions on tax hikes. Moreover, 175 of the 263 schools in Detroit need major repairs costing \$3 billion. By contrast, the Annenberg project's \$60 million is pocket change.

Impediments to Reform

The urban schools that need reform most also often attract the most attention. But public attention may not be welcome news, considering the lackluster progress of Annenberg-funded reform.

Perhaps that explains why the Challenge has not attempted to account for its actions to the public. Neither the Annenberg Institute for School Reform nor the Annenberg Foundation publishes an annual report.

foundation's board of directors.

Annenberg keeps his foundation under tight control. His wife Leonore is vice president and vice chair, and daughter Wallis also is vice president. Attorney William J. Henrich, Jr. is the foundation's secretary.

Originally incorporated in 1958 as one of several Annenberg schools of communications, the Annenberg Foundation continues to claim an interest in promoting public communication. The foundation's mission statement accounts for its grants to school reform projects in this way:

"While modern computer and broadcast technology are important communications tools, they are only amplifiers and extenders of the written word and human voice. The Foundation's focus is not on chips and wires but on education, particu-

larly public school restructuring and reform in the United States."

The majority of grants support public school reform, although many grants also aid individual private colleges and schools. Annenberg attracted much attention with his foundation's \$100 million grant in 1993 to his *alma mater* the Peddie School, a small preparatory school that previously operated on a \$10.5 million budget. At the same time, he made highly publicized gifts of \$120 million each to the University of Pennsylvania and the University of Southern California and gave \$25 million to Harvard University. Similar grants have followed.

Other areas of foundation giving include arts education, early childhood education and youth devel-

opment programs.

In addition to his large family foundation, Annenberg is the sole trustee of six charitable trusts that operate out of the Annenberg Foundation's office. These include the following, with assets as of December 31, 1995:

- Harriett Ames Charitable Trust, \$10.9 million;
- Lita Annenberg Hazen Charitable Trust, \$4 million;
- Janet A. Hooker Charitable Trust, \$13.4 million;
- Polly Annenberg Levee Charitable Trust - Krancer Trust, \$4.8 million;
- Polly Annenberg Levee Charitable Trust - Levee Trust, \$4.9 million;
- Esther Simon Charitable Trust, \$8.8 million.

Grants from these trusts most often support education and the arts in New York and other areas.



Initial plans for the Annenberg Challenge included a provision for annual reviews of the program, including accountings from NASDC and the Institute. Two external evaluations of the Challenge's overall progress — one after three years and another after five years — also were planned.

However, according to Barbara Cervone of the Annenberg Institute, the promised evaluations have not been completed. Instead, the Institute decided to forego the evaluations after determining that the annual report card on education issued by the *Education Week* newspaper was sufficient. Yet *Education Week* does not provide data specifically on the Annenberg Challenge!

A final comprehensive report on the Challenge is being prepared by the Institute's staff, but it will not be released before the five-year mark in December 1998.

Non-commissioned evaluations of the Challenge's programs also are rare, but we found two independent studies that are instructive. One analyzes the Coalition of Essential Schools, a recipient of Annenberg grants, and the other examines the Annenberg-funded reform effort in Philadelphia. Although neither study provides useful conclusions about the success of Annenberg's efforts, both studies describe the tremendous obstacles faced by Annenberg's grantees in the public schools.

The Coalition of Essential Schools is a reform program developed in 1984 by TheodoreSizer of Brown University. Sizer has propounded "Nine Common Principles" for a good high school. His liberal arts approach is to encourage critical thinking and the mastery of essential skills and areas of knowledge; teachers guide students toward clear goals and new challenges.

Sizer is not ignorant of the obstacles he faces. He is critical of centralized school regulation that impedes reform efforts and complained in his book *Horace's Hope* that the pace of reform is "disheartening." Sizer opposes broad reforms such as

national education standards, noting that "the effort to standardize everything guarantees mediocrity." Yet his own Coalition, which focuses on individual schools, has not produced stellar results.

A report published last year by the Education Research Service (ERS), following a Congress-mandated, three-year study of 10 school reform programs including the Coalition of Essential Schools, finds several reasons why public school reform efforts have failed. Although the authors of *Impediments to Reform: An Analysis of Destabilizing Issues in Ten Promising Programs* (1997) do not disparage the programs they studied — the study was, after all, funded by the U.S. Department of Education — their findings suggest that most school reform efforts are unlikely to succeed.

Ironically, the report claims one impediment to successful reform is a lack of finances. But the Coalition of Essential Schools (CES), as part of the Annenberg grant program, makes every effort to award funds directly to schools and to bypass the administrative bureaucracy.

Apparently even this "end-run" maneuver cannot cure the financial woes of many schools. The ERS report found that many schools' lack of money caused them to treat reform programs as mere cash cows and led them to ignore the higher goal of long-term school improvement.

"One essential problem was that overall limited funding caused schools to take on one new program after another," ERS reports. "Each new program came with available funding for initial implementation as well as the additional incentives of materials and staffing — both in short supply at these schools. Many schools took the money at any cost, often without considering their capacity to complete the implementation, let alone institutionalize the changes."

The report's authors argue that mismanagement is compounded by a lack of effective leadership, lack of teacher commitment, staffing difficulties, poor facilities and inflexible curricula.

For example, while asbestos was being removed from one CES school, students, teachers, administrators and CES reform staff had to share facilities with another school, interrupting the reform program. Despite its efforts to bypass the district and state bureaucracy, CES has been unable to escape the lack of effective oversight and planning that is endemic to the public school system.

The study found principals of CES schools who could not identify the nine principles that are supposed to guide them. In other cases, principals who were more interested in funding than reform "permitted the staff to move the program away from its original goals and purpose, in effect derailing a movement toward full and effective implementation of the program as designed by its developers."

ERS also found difficulties with the Coalition's integrated liberal arts curriculum, which is meant to encourage critical thinking:

"This approach was clearly at odds with the curriculum that already existed in most of the CES schools studied, which called for disparate courses based on developing discrete skills and content or vocational training."

Rather than forego the funding and prestige associated with CES, many schools simply offered both types of curricula, confusing students and diminishing the program's effect.

"At one CES site, for example, students were taught to obey authority in ROTC and to challenge authority in English class on the same day," ERS reports.

The authors note a persistent lack of respect for reform efforts among school personnel, who often see new reform programs come and go without results. Although a superintendent may permit his schools to accept program funds, for example, he will often strong-arm support for his own plans. Parents and students may lose interest, teachers may fail to understand a new program or meet its qualifications for high-level teaching, and frequent staff changes upset the reform process. It is no wonder, then,

that teachers “saw proposed innovations as fads that had little effect on real teaching.”

Philadelphia Story

In January 1995 the Annenberg Foundation gave \$50 million to “Children Achieving,” Philadelphia’s school reform project, to be matched two-to-one. The William Penn Foundation contributed \$13.8 million to the effort, and the Pew Charitable Trusts contributed \$10 million.

“Children Achieving” is the brainchild of schools superintendent David W. Hornbeck. Like other programs funded by Annenberg, the Philadelphia program emphasizes the creation of small “communities” in which teachers, students, parents, community members and school principals work together closely.

The program tries to improve teaching, facilities, performance standards and administration. But not one of the program’s ten goals seeks improvement in students’ academic performance. It is assumed that a goal such as making sure “all students are healthy and ready for school” will produce this end.

Prior to the start-up of “Children Achieving,” Philadelphia’s schools were in distress. An October 1994 report in the *Philadelphia Inquirer* called the schools “dismal” and claimed “cause for despair.” The statistics are frightening:

- “less than half of Philadelphia students entering high school in 1989 graduated four years later;”
- “only 15 of the City’s 171 public elementary schools scored above the average on nationally normed reading tests;”
- “students in only two schools, both magnet programs, scored above the national average on the SAT.”

The dismal condition of Philadelphia’s schools, damaged by years of internal problems and external conditions, may have put the system beyond repair by even the most aggressive internal reform program. Only a major shake-up by outside forces — such as forced competition

with new and private schools — may be sufficient to improve the system in the long run.

Certainly increased spending is not the answer. Philadelphia’s per-pupil expenditures in 1989-90 (the last year in which NCES data are available) were \$6,304, greater than the U.S. average expenditure of \$5,203.

A First-Year Evaluation Report of Children Achieving: Philadelphia’s Education Reform (1995-96) is the only formal evaluation of a project funded by the Annenberg Challenge, and it helps to explain the failure of well-funded reform efforts. Although the study provides no definitive conclusions about the Philadelphia program’s success or failure, it does point to many impediments to reform. These arose almost immediately and are similar to the impediments cited in the ERS report on CES: financial constraints, political squabbling and cynicism, all of which diminish expectations and hence the likelihood of successful reform.

The *First-Year Evaluation* cites “a legacy of reform efforts” in Philadelphia, but none was “comprehensive or powerful enough to alter the conditions of teaching and learning citywide.” Some of these reforms, the evaluators note, were similar to aspects of “Children Achieving,” emphasizing business partnerships and teacher training.

The Philadelphia program’s partial reliance on government funds endangered the program soon after it began. The Board of Education, claiming a funding “shortage” in 1996, cut \$67 million from the proposed \$90 million budget for “Children Achieving,” severely limiting the program in 1997. Apparently the commitment to match Annenberg’s grant was easily superseded by other district concerns.

The courts are another factor impeding efforts to improve public schools. The Philadelphia report notes the significant authority over Philadelphia’s school system and budget by Commonwealth Court Judge Doris A. Smith, who presides over an ongoing desegregation case.

In addition to the budget constraints imposed by the Board of Education in 1996, Judge Smith forced the city’s superintendent to divert funding to full-day kindergarten and pre-school services for racially-isolated elementary schools. Smith also demanded that “Children Achieving” include school uniforms, more magnet schools and increased family involvement — elements that were not originally included.

Political opposition, especially from teachers unions, is another obstacle to reform. In Philadelphia the initial opposition and continued oversight by the City Council has complicated the reform effort, but an even greater obstacle to reform is the Philadelphia Federation of Teachers. The union has vigorously opposed “Children Achieving,” especially elements that would hold teachers accountable for student achievement, give parents greater authority over personnel decisions and increase work time (Philadelphia teachers enjoy the shortest school day in Pennsylvania).

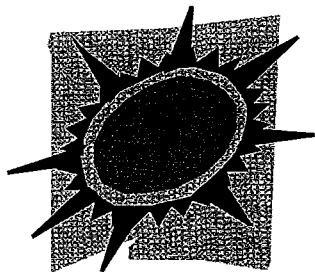
Conclusion

Without the comprehensive evaluations of the Challenge originally promised by the Annenberg Foundation, no complete analysis can be made of the Challenge’s success or failure in improving student learning.

However, the few independent studies that are available document enormous and sometimes insurmountable obstacles faced by Annenberg-funded programs. Further review of the Challenge’s major-city projects and available indicators of student performance clearly indicates that Walter Annenberg’s \$500 million gift has failed to have any significant impact on the quality of public schools.

While philanthropists including Annenberg and Ted Turner sink their fortunes into failing government bureaucracies, other donors and foundations should consider private and nonprofit alternatives that embrace the efficiency and effectiveness of the free market.





Foundation Notes

For the first time in more than 30 years, the **FORD FOUNDATION** is no longer the largest private foundation in the U.S. The *Chronicle of Philanthropy* reports that the booming stock market has benefited the **LILLY ENDOWMENT** with a 140 percent increase in assets, making it the largest foundation. At the end of last year, Lilly had \$12.7 billion in contrast to Ford's \$9.4 billion. Rounding out the top five American foundations are the **DAVID & LUCILE PACKARD FOUNDATION** (assets \$8.9 billion), **W.K. KELLOGG FOUNDATION** (assets \$8.3 billion) and **ROBERT WOOD JOHNSON FOUNDATION** (assets \$6.7 billion).

Timothy Wirth, the president of Ted Turner's new **UNITED NATIONS FOUNDATION**, recently divulged new details about how he will distribute Turner's promised \$1 billion gift to the U.N. over 10 years. Grant priorities will include "women's and population issues, children's health and water purification and environmental climate change," Wirth says. The Foundation will attempt to "leverage" Turner's gift with contributions from other sources. Other nongovernmental organizations will be invited to participate in project planning, including nonprofits and universities. The Foundation's board will be named by Turner and will oversee a staff of 30 to 40 people. Secretary General Kofi Annan is creating UNITRUST, a branch within his office that will serve as a liaison to the United Nations Foundation.

U.S. foundation support for programs overseas is increasing, according to a *Chronicle of Philanthropy* report. From 1990 to 1994, grants to foreign charities increased from \$508.2 million to \$679.4 million. After adjusting for inflation, the increase was 18 percent. The **FORD FOUNDATION**, which gave the most to international causes in 1994, has increased its foreign giving under new president Susan Berresford. Other foundations have done the opposite: the **PEW CHARITABLE TRUSTS**, concerned just a few years ago with promoting democracy and civil society in Eastern Europe, cut overseas grants from \$36.2 million in 1994 to \$13.2 million in 1996.

A new report from the **CONFERENCE BOARD** finds corporate giving increased 31 percent between 1995 and 1996. The figure was drawn from a representative survey of 196 businesses. The top five sectors providing the largest contributions were the transportation equipment, retail/wholesale trade, computer/office equipment, pharmaceutical and food/beverage/tobacco industries. For a copy of "Corporate Contributions in 1996: An Advance Report," call (212) 759-0900.

Tax breaks affect charitable giving, especially among wealthier donors, according to a new paper presented at a conference at the University of Michigan. The authors of "Taxes and Philanthropy Among the Wealthy" claim that their analysis of 9,000 tax returns for individuals in the highest tax brackets indicates that wealthy people would give less to charities if tax deductions were eliminated. For a copy of the report, contact Gerald Auten at gerald.auten@treas.sprint.com.

Boston College's **CENTER FOR CORPORATE COMMUNITY RELATIONS** promotes "social auditing," a method of measuring a company's business and philanthropic activities against social goals. The Center's recent newsletter offers advice on "responsible" operations from Alan Parker, former director of investor relations for Ben & Jerry's Homemade, the ice-cream maker that contributes substantially to left-wing causes. Parker is an associate staff member of the Center.