

# **AUSTRALIAN COUNCIL FOR THE DEFENCE OF GOVERNMENT SCHOOLS**

**PRESS RELEASE 656#**

## **INTERNATIONAL CAPITAL WANDERING THE WORLD FOR A SAFE HAVEN -**

### **PUBLIC SCHOOL COUNCILS BEWARE THE CHARTER SCHOOL MOVEMENT**

**Public school supporters and especially members of public school Councils in Australia should beware hedge funds bearing gifts, if recent developments in America are any guide. For Birmingham and Turnbull and looking to the UK and America for models of privatisation.**

In an article in *The American Prospect* at <http://prospect.org/article/hedging-education> on 10 May 2016 an American writer, Justin Miller warned of the unhealthy relationship between international capital wandering the world for safe haven profits – namely Hedge Funds – and the privatisation of public education through Charter schools in the United States. They are doing this through the use of testing, testing and more testing, competition and – the takeover of school boards,

He argues that the hedge fund industry and the charter movement are almost inextricably entangled. Executives see charter-school expansion as vital to the future of public education, relying on a model of competition. They see testing as essential to accountability. And they often look at teacher unions with unvarnished distaste. Several hedge fund managers have launched their own charter-school chains. You'd be hard-pressed to find a hedge fund guy who doesn't sit on a charter-school board."

As one person commenting on the Justin Miller article noted:

Government is not business. When it's run that way, taxpayers are writing inflated checks for the shittiest services and infrastructure the corporation can get away with providing. Tax money is not meant to profit anybody except taxpayers.

The following is an excerpt from the longer article for the information of readers.

DOGS thank John Foster for sending it to us.

Not too long ago, school board races were quaint affairs. Even in big school districts, candidates usually only had to raise a few thousand dollars to compete.

But as the movement to marketize public education gained momentum, advocates broadened their focus from the federal level to state and local governments. There, where campaign costs were substantially lower than in federal elections, the well-funded movement could more effectively leverage its political money.

One of the starkest casualties of that strategic shift has been the American school board election. A network of education advocacy groups, heavily backed by hedge fund investors, has turned its political attention to the local level, with aspirations to stock school boards—from Indianapolis and Minneapolis to Denver and Los Angeles—with allies.

In recent years, this powerful upstart operation has had tremendous, albeit somewhat stealthy, success playing politics at the local level, by cultivating reform leaders in areas with disappointing schools and a baseline desire for change. They have looked to building a state philanthropic infrastructure that can sustain local efforts beyond one election.

The same big-money donors and organizational names pop up in news reports and campaign-finance filings, revealing the behind-the-scenes coordination across organizational, geographic, and industry lines. The origins arguably trace back to Democrats for Education Reform, a relatively obscure group founded by New York hedge funders in the mid-2000s.

### **The Hedge Fund Connection**

The hedge fund industry and the charter movement are almost inextricably entangled. Executives see charter-school expansion as vital to the future of public education, relying on a model of competition. They see testing as essential to accountability. And they often look at teacher unions with unvarnished distaste. Several hedge fund managers have launched their own charter-school chains. You'd be hard-pressed to find a hedge fund guy who doesn't sit on a charter-school board.

Consider Whitney Tilson. Straight out of Harvard, Tilson deferred a consulting job in Boston to become one of Teach For America's first employees in 1989. Ten years later, he started his own hedge fund in New York. Soon after that, Teach For America founder Wendy Kopp took him on a visit to a charter school in the South Bronx. It was an electrifying experience for him. "It was so clearly different and so impactful," Tilson says. "Such a place of joy, but also rigor."

The school was one of two original Knowledge Is Power Program schools—better known as KIPP—which has since grown into a prominent charter network with nearly 200 schools in 20 states plus the District of Columbia, serving almost 70,000 students, predominantly low-income and of color.

But back then, charter schools were still a rather unfamiliar novelty to most people. Tilson, however, was convinced that they were the future of education. He started dragging all his friends, most of whom were hedge fund investors, from Wall Street up to the South Bronx to see the KIPP school. “KIPP was used as a converter for hedge fund guys,” Tilson says. “It went viral.”

Many critics of the corporate education-reform movement are quick to accuse proponents of seeking to cash in on the privatization of one of the United States’ last public goods. And while there certainly are those in ed-reform circles who stand to benefit from a windfall of new education technology, testing, and curriculum services, hedge funders by and large do not fit that stereotype. Theirs is more of an ideological and philanthropic crusade, rather than a crude profit-seeking venture.

As Tilson explains it, hedge fund managers almost exclusively come from well-off backgrounds and got the best educations in the world. “I personally never knew what the situation was like for families forced to attend their local school in the South Bronx, or Brooklyn,” Tilson says. “I didn’t know of anyone who dropped out of high school or college—much less that there were high schools where half the students dropped off.”

In the mid-2000s, Tilson was on what he says was his 100th visit to KIPP. Dave Levin, KIPP’s co-founder, told him that Levin was trying to open up more schools but was running into political resistance. The fact that KIPP had been succeeding without unionized teachers was threatening to many in the Democratic Party, Tilson recalls Levin telling him.

Tilson was shocked that anyone would try to stymie the growth of KIPP, which had had some promising signs of success early on; he was even more shocked that it was mostly Democratic politicians opposed to charter expansion. Why, he wondered, would the party that’s supposed to be for the less well-off be standing in the way of educating disadvantaged children?

He directed his anger at what he says is the most powerful special-interest group in the Democratic Party: teachers unions. So in 2005, Tilson got together with a number of other highly educated, wealthy investors to build a political instrument to simultaneously advance pro-charter education reform and beat back what they saw as oppressive teachers unions.

“Our public school system—including charter schools—is a governmental system, and that means at the end of the day, it’s run by politicians,” Tilson says. “And politicians respond to votes and they respond to money. That means if you want to change a governmental system you’ve got to play the political game.”

The list of original funders is chock-full of Wall Street A-listers. There was Joel Greenblatt, head of Gotham Asset Management and author of the seminal high-finance book *You Can Be a Stock Market Genius*. There were Charles Ledley and James Mai of Cornwall Capital, perhaps most well known for betting big against the subprime-mortgage market, which was depicted in the book-turned-blockbuster *The Big Short*. There was David Einhorn, head of Greenlight Capital, who has drawn scrutiny on more than one occasion for financial wrongdoing.

Basically, if you were anybody who was anybody in hedge funds, you probably chipped in. Tilson called the group Democrats for Education Reform (DFER), and set it with a mission “to break the teacher unions’ stranglehold over the Democratic Party.”

Early on, DFER identified then-Senator Barack Obama and then-Newark Mayor Cory Booker as promising politicians willing to break with teachers unions. DFER was instrumental in convincing Obama to appoint charter-friendly Chicago Superintendent Arne Duncan as secretary of education, and it spent a lot of time and money lobbying the administration to pursue reformist education policies like Race to the Top and Common Core. Tied to Obama’s coattails, DFER was now one of the most influential political players in the ascendant education-reform movement.

“All of a sudden, there were politicians all over the country who were willing to back education reform,” Tilson says. “We were able to raise more money, but there were also a lot more fields to play on.” As it found tremendous success at the federal level, DFER tried to maximize its newfound influence to leverage reform in local politics

### **The Indianapolis Track**

Beginning around 2010, charter advocates set their sights on Indianapolis. In 2011, the newly Republican state legislature passed a law that made it easier for new charter schools to open, quickly fuelling their growth. Most new charters opened in Indianapolis, home to a struggling urban district that serves roughly 30,000 students. Many schools were failing to meet state standards, enrollment numbers were dwindling, and the clamor for a solution was growing.

At the epicenter of the city’s reform push was the Mind Trust, a local education-reform group that promotes more school choice, autonomy, and charter partnerships. To do those things, the district needed a friendly superintendent and a sympathetic school board. The Mind Trust helped bring in DFER, the advocacy group Stand For Children, and the network of political money that came with them.

Annie Roof was first elected to the Indianapolis Public Schools board in 2010, aspiring to bring a parent’s perspective and substantive change to the school district. She was fed up with poor communication from the district and what she says were unfair school spending patterns. She raised about \$3,000 and won a seat. At first, Roof was the “reform” member on a board that featured a number of strong supporters of the superintendent, Eugene White, who resisted integrating charter schools into the district.

Then the 2012 school board elections brought in a new wave of reformers. One was Gayle Cosby. She and her kids had attended the city’s public schools, and she had taught in the district.

Several months before the election, Cosby decided to run against a long-time incumbent for a seat on the district’s school board. “When I ran, I felt pretty strongly about the idea of autonomy in a broad sense and felt as a teacher, a lot of what I wanted to achieve with my students was limited by a top-down feeling of control,” she says.

She was independently running her campaign for several months, trying to build a rapport with local voters. Then, as the election neared, her openness to “reform” attracted the

attention of DFER, which had recently launched an Indiana chapter to build off of the state's recent changes to public-education law. It quickly zeroed in on building a pro-charter majority on the school board.

DFER pumped more than \$40,000 into Cosby's campaign, hiring her a campaign manager, orchestrating several direct-mail flyer blasts, and buying up radio spots. This was unheard-of in Indianapolis school board races.

"At that point, I felt a loss of control in certain respects," Cosby recalls.

"The way they were able to win was through the money, through the messaging," says Cosby, adding that about ten mailers were sent on her behalf. "That's a huge sum of money; that's pretty insurmountable when the public lacks understanding about these issues. The average voter saw the potential for something shiny and new."

By the end, Cosby had raked in a total of nearly \$80,000. Two other reform candidates were elected with more than \$60,000 in support, including \$10,000 checks from former New York City Mayor Michael Bloomberg.

Before she was even sworn in to her seat on the board, it became apparent that Cosby's idea of reform was different than DFER's. She and the other new board members were invited to what she describes as a secret meeting at Eli Lilly, an Indiana pharmaceutical company with major philanthropic initiatives. The meeting featured a presentation pitching a plan to expand and fully integrate charter schools into the Indianapolis Public Schools system.

"It hit me fully in the face that the expectation of my role was to support a much larger, clandestine agenda in the city," Cosby says. "That's when I realized that this role I was stepping into was going to be filled with problems."

One of the new reformers was Caitlin Hannon, a Teach For America alum who had taught in IPS for two years before running. After she was elected to the board, she became the executive director of Teach Plus Indianapolis, a Bill Gates-backed organization that amplifies the voices of young reform-minded teachers, often at the expense of teachers unions. Hannon raised nearly \$40,000, including contributions from Bloomberg, DFER funder Charles Ledley, and hedge funder Alan Fournier.

In 2013, the new school board bought out the superintendent's contract and began looking for a turnaround expert who prioritized charter-school expansion, autonomy, and innovation. They unanimously chose Lewis Ferebee, who had previously worked in the Durham, North Carolina, public school district, overseeing a number of struggling schools.

Ferebee quickly unveiled a plan that would cut the size of the district administrative office and begin liquidating school buildings and renting out space to outside groups—including charters. Soon after, he was lobbying for a state bill that would allow IPS to form compacts with charter schools to operate autonomously within the district. Much to the dismay of many state Democrats and the state teachers union, the bill passed.

By 2014, the floodgates of outside money were wide open. Though DFER's Indiana operation had shuttered due to poor local leadership, its presence was still strong in the school board elections.

By this time, Annie Roof had ticked off the local education reform organizations like DFER, Stand For Children, and the Mind Trust by refusing to play ball. Her idea of "reform" did not mesh with the organized reformers'. "What money has made that word, I'm not a part of."

So the network reached into its bench and recruited one of its own. Education consultant Mary Ann Sullivan was a former Democratic state legislator in Indiana who co-authored bills to expand the state charter-school law and revamp the teacher-evaluation and licensure process. She also sits on DFER's national advisory board.

In her campaign to oust Roof, who had been elected board president, from Roof's at-large seat, Sullivan raised more than \$70,000, inundating the city with mailers, phone-banking, and paid media. She trounced Roof by more than 25 percentage points.

As Roof puts it, they took out parents and replaced them with politicians.

"I was incredibly disappointed with the city of Indianapolis to buy into such tactics of cheap mailers and phone calls," Roof says. "School board races used to be run by those around the kitchen table. It's no longer a local election."

Elected along with Sullivan was LaNier Echols, an Indianapolis charter-school dean (who was promoted to principal after getting elected) who raised \$65,000, and Kelly Kennedy Bentley, a former IPS board member who had also served as DFER Indiana's treasurer.

With a near-unanimous reform majority now sitting on the board, Ferebee continued expanding charter-school partnerships—including handing control of one struggling elementary school over to a charter school favored by local charter advocates.

Cosby has since taken up the role as the board's main dissenter. She believes that charter special interests have completely co-opted the desire for change in the schools and have promoted an agenda that sees charter schools and privatization as the only way to fix Indianapolis Public Schools. Four seats will be up in 2016, including Cosby's, who has decided not to seek re-election as she focuses on a doctoral program.

## **A National Crusade**

The same scenario playing out in Indianapolis has become increasingly common in school districts around the country, as national organizations—mirroring DFER's strategy—have expanded into more and more states.

DFER currently has active operations in 13 states and the District of Columbia. Students First, a group launched by former D.C. schools chancellor Michelle Rhee, is operating in ten states. Stand For Children has 11 state chapters. The 50-State Campaign for Achievement Now (50CAN) works in seven states so far. All of the groups have put school board races in their crosshairs.

Just weeks before the Minneapolis school board elections in 2014, which were expected to largely influence who the next superintendent would be, reports surfaced that detailed a massive influx of outside money in the race for two board seats. Both 50CAN's Minnesota operation and Students for Education Reform (SFER, an astroturf offshoot of DFER) were campaigning for former Minneapolis City Council member and charter booster Don Samuels. The reports showed that the 50CAN Action Fund had raised \$15,000 and SFER had raised \$36,000. SFER board member Adam Cioth, who manages the Rolling Hills Capital hedge fund, provided the majority of SFER's money—about \$23,000.

Charter advocates also set up a PAC that raised more than \$200,000 from three donors—Michael Bloomberg, Teach For America board member and venture capitalist Arthur Rock, and financier Jon Sackler, who sits on 50CAN's and SFER's boards. Samuels won his race.

Last year in Denver, DFER contributed a quarter-million dollars to launch the Raising Colorado super PAC, which went on to spend \$90,000 running ads and mailing flyers in support of Happy Haynes, the incumbent at-large member, and Lisa Flores, a former Gates Foundation program officer who was running for an open seat. Both won.

The flood of outside money that's become a new normal in many school board elections is troubling for several reasons. And the stakes of 2016 couldn't be higher. This year alone, 640 of the country's largest school districts by enrollment are holding elections, with nearly 2,000 seats up for grabs, according to Ballotpedia. All together, these districts educate around 17 million students—about 34 percent of all the K–12 students in the nation.

Compared with other political races where a campaign will stretch over the better part of a year (or more), school board races are unique. Filing deadlines are much closer to Election Day, meaning that the field of candidates doesn't fully materialize until quite late and the actual races don't heat up until about two months out.

That makes it more difficult to vet candidates and learn about connections. Campaign-finance reports exposing big money often pop up late—that's if the locality even includes school board candidates in its database.

The coordinated and tangled web of charter-advocacy groups' political activity makes their financing hard to track. National groups and big individual donors will often funnel money to local PACs, which in turn spend money independently from a candidate's campaign.

Many of these organizations operate as 501(c)(4)s and thus don't have to disclose donors or, depending on state law, even fully disclose independent expenditures. For instance, Stand For Children, which was the main funder in the 2014 Indianapolis school board races, still won't disclose how much they independently spent, though local watchdogs have gathered that it was a huge sum.

“There's significant spending happening below the surface,” says Ballotpedia's Daniel Anderson. “It's hard to gauge whether that spending balances the scales between unions and ed-reform groups or if the scales are still tilted significantly [toward unions].”

Behemoth groups sponsored by mega-billionaires like Eli Broad, Bill Gates, the Koch brothers, and the Walton family have spent hundreds of millions to launch charter schools,

sponsor think tanks, and more broadly steer the ideological DNA of reform. In recent years, newer organizations have positioned themselves adjacently to that machine while focusing more explicitly on politics. Critics, though, say there's little difference between groups like DFER and those on the right. DFER has taken heat for teaming up with the Koch brothers and the American Legislative Exchange Council (ALEC) in backing California referendums that attacked public education and unions, and in opposing a ballot measure to impose a tax on millionaires. They've also given money to a right-wing group that was a booster of Wisconsin Governor Scott Walker's anti-union agenda, and took out an ad in 2012 blasting the Chicago Teachers Union in the lead-up to a strike.

For his part, Whitney Tilson insists, "We're writing the checks, but we're not dictating everything that's going on." In a written statement to the Prospect, DFER National President Shavar Jeffries added: "Our state chapters are not run by people flying in from Washington. They are staffed by local political organizers and education experts that are overwhelmingly from the communities they work in." But the financial influence of the outside charter-boosters is an ill-kept secret. The pushback against outside pro-charter money in local races has been steadily growing as more and more cities are impacted. That anger likely becomes more visceral when it becomes clear to voters that out-of-state billionaires are trying to tip the scales in their own backyard.

"Now that we've seen two election cycles with huge sums of outside money, I'm hopeful that voters in Indianapolis have become enlightened to what's really happening," says Indianapolis Public Schools board member Gayle Cosby. "It could affect some change in 2016."

Justin Miller is a writing fellow for The American Prospect.

comments

[wildthang](#) •

The commodification of all of society for excessive profits! It is affecting even small town school districts.

[Anthony Bellia](#)

"She and the other new board members were invited to what she describes as a secret meeting at Eli Lilly, an Indiana pharmaceutical company with major philanthropic initiatives. The meeting featured a presentation pitching a plan to expand and fully integrate charter schools into the Indianapolis Public Schools system."

Why is a pharma company playing in this field? Sounds ominous.

[Ray Triana](#)   [Anthony Bellia](#)

Testing programs to profile and identify kids with alleged behavioral problems that could "benefit" from their products.

[William Moran](#) •

Thus do the hedge-scum managers seeks to make yet another revenue stream to tap.  
This one should be a recession-proof beaut.  
Imagine being able to skim from all that money we spend on K-12 schooling...

Why... the salivating going on at Connecticut's south shore will soon threaten to wash everything into the Sound.

[Dienne](#)

"Who says Democrats and Wall Street don't get along?"

No one who knows Barack Obama or Hillary Clinton.

[Dice](#)

This is theft, otherwise why would they be so secretive about it?

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