

D. Study Results on Local Education Foundations

Local education foundations are garnering increasing attention in both the popular press and research literature. In this appendix, we review the literature, as well as our findings from phone interviews with LEF representatives associated with three districts in our sample and interviews with district and school personnel.

The research literature examines the growth of LEFs, where LEFs are likely to be formed, and the level of support they raise. The emerging view is that the number of LEFs is growing and LEFs are providing districts with more flexible funding, but they also may be leading to greater inequities between wealthy and poor districts (although it has been argued that LEFs can also actually help close the gaps between higher-income and lower-income districts). In comparison with the literature, our interviews focused more closely on how LEFs raise funds and the processes by which they allocate funds.

Literature Review

In this section, we provide information from our search of published reports, journal articles, and the popular press. The following summaries provide a quick overview of the recent growth of LEFs, the dollar value of money raised by LEFs, and the characteristics of the districts that form successful LEFs.

Growth in the Number of LEFs

The consensus is that the number of LEFs is growing throughout the country, particularly in California. Merz and Frankel (1995) conducted a multistate analysis of foundation activity based on a survey of school districts and interviews with individuals involved with foundations. The study found that the vast majority of foundations have been formed since 1989, with California having the longest history with them. Brunner and Sonstelie (1997) used IRS data and the required registration of nonprofits operating in California and found widespread use of educational foundations in the state; more than 500 such foundations were in operation in 1995 in 1,001 school districts. Addonizio (1999) studied the

growth of LEFs in Michigan and found that the number increased from just five in 1981 to 153 by 1997.

Amounts Raised by LEFs

There is less of a consensus regarding the *effectiveness* of LEFs in raising funds. Merz and Frankel (1995) found that whereas amounts raised through individual foundations in 1992 to 1993 ranged from \$200 to \$1 million, 20 percent of foundations reported raising only \$10,000 to \$40,000, and only 7 percent raised \$100,000 or more during that period.

Studies by McLaughlin (1988) and Brown and Rinehart (1991) suggest that most LEFs raise small amounts of money and therefore are more effective as public relations tools than revenue-raising tools. Brunner and Sonstelie's research in California showed that LEFs raise more revenue for schools than do other types of nonprofit organizations supporting K–12 education. LEFs in California raised \$28.9 million in 1992, followed by PTAs at \$27.7 million, and booster clubs at \$19.3 million. A recent analysis published in the *Los Angeles Times* (Fox, 2001) profiled the amounts raised by several Los Angeles–area LEFs in 1998. The amounts ranged from a low of \$13,960 raised by the Wilsona/Lake Los Angeles Foundation for Student Excellence to a high of \$5,258,199 raised by the Los Angeles Educational Partnership.

Merz and Frankel, Brunner and Sonstelie, and Addonizio all conclude that foundation contributions represent a small percentage of revenue in all but a handful of schools, providing very small amounts of money compared with school district budgets, and therefore have little effect on the per-pupil amounts available in districts.¹ However, research by Crampton and Bauman (1998) led to a different conclusion. Based on case study methods using six schools across three Colorado districts with distinct demographic profiles, Crampton and Bauman's research suggests that entrepreneurship activities, such as developing a LEF, did in fact have a disequalizing impact on intradistrict and interdistrict fiscal equity.

Where LEFs Are Formed

Merz and Frankel found that LEFs have been formed successfully in a range of communities. And, although affluent communities are not much more likely to

¹In California, some parents have argued in court, so far unsuccessfully, that the LEFs that are being set up in some districts are a means to circumvent court equity decisions.

have LEFs, their LEFs are likely to raise relatively more money.² Addonizio found that districts with educational foundations, on average, enjoy higher unrestricted public revenue per pupil, greater enrollments, higher household income, and higher student achievement than their non-foundation counterparts.

Brunner and Sonstelie's (1997) research in California suggests that the per-pupil revenue from giving increases as average family income within a district increases.³ For example, among school districts in California with average annual family incomes between \$0 and \$29,999, only 5.7 percent had a nonprofit organization that raised more than \$25,000 in gross revenues. Furthermore, in those eight districts, total voluntary support for public education amounted to only \$9 per student annually. In contrast, among districts with average annual family incomes of \$70,000 or more, 79 percent had nonprofit organizations that raised more than \$25,000 annually, with revenues totaling more than \$240 per student.

A recent report in the *Los Angeles Times* (Fox, 2001) argued that foundations in wealthier districts in the Los Angeles region raise much more money per capita than foundations in less-wealthy districts. For example, the San Marino Schools Foundation (in a very affluent area) raised the equivalent of \$381.09 per pupil in 1998. At the other end of the spectrum was the Long Beach Education Foundation (in a much less-affluent area), which raised the equivalent of only \$1.06 per student.

Case Studies

As noted earlier, our study took a different approach than previous research in the field. Our primary purpose was to understand who gives to LEFs and through what mechanisms, the type of giving, and the end result of the giving (these research areas mirror the primary questions we used to examine the districts and schools through our interview protocols, shown in Appendices A through C).

²The high number of working professionals in one community almost doubled the average amount raised by the local district in a year: \$46,260 raised in 1994 compared with other districts that raised an average of \$25,280 that year. The presence or absence of a high number of retired people or families with no children did not affect the average amount raised.

³Merz and Frankel found that the number of nonprofits did not differ much across different economic communities. This difference in results may be due to Brunner and Sonstelie counting only those foundations with revenues greater than \$25,000, whereas Merz and Frankel include all foundations. There may be some foundations in lower-income communities that are not raising enough revenue to appear in Brunner and Sonstelie's analyses.

Who Are the Givers?

The LEFs resemble the districts and schools in that their primary donors are parents and businesses. The LEF representatives we interviewed also emphasized the importance of community members, specifically those individuals who serve on foundation boards. Those individuals may wear many hats by being actual donors (of money or in-kind services), by working as foundation staff (in planning events or contacting potential donors), or by serving in an advisory role (for example, determining how money should be spent).

How Do They Give?

The three methods of contacting potential givers, mentioned by all LEF staff members, were mail solicitation/membership drives, personal contacts, and special events. All three techniques were also noted by some, if not all, of the schools and districts. Mail solicitations are typically targeted toward parents and local businesses, particularly if they have given in the past. The LEF representatives were also community members and businesspeople, and utilized their connections in trying to build support for the foundation and district. LEFs helped in hosting a number of fund-raising events, ranging from wine auctions to celebrity performances.

What Do They Give?

All three respondents noted that the majority, if not all, of their gifts are monetary donations, which is quite different from the schools and districts that are more likely to receive in-kind contributions. In terms of in-kind donations, all three LEFs greatly valued the volunteer time given by those serving on advisory boards (and resource boards) of the LEFs. None of the three respondents mentioned any sort of in-kind material donations.

How Are the Resources Allocated?

All three LEFs reported having formal grant awarding processes and grant committees for overseeing the distribution of funds to the schools. Typically these grants were in the form of requests for proposals (RFPs) for which individual teachers could apply. These "mini-grants" were generally open, in that teachers could propose a range of ideas for funding and the LEFs would try to award grants to teachers across the district.

Two respondents mentioned that their goal is to serve as many students and schools as possible. One LEF focused on supporting the arts while another's top priority was providing school uniforms, and the allocation of funds by both of these LEFs was more flexible once those primary needs had been met. LEFs also reported having a dialogue with the district and/or individual schools regarding their funding priorities.

The LEFs have much more contact with district staff than they do with individual schools, and all of the LEF interviewees reported having good relations with the districts they serve. Relations with individual schools were not as consistent—only one LEF representative mentioned having good relations with schools and regularly meeting with school principals and PTA presidents in the district. One of the other respondents noted having little contact with schools, although she hoped to have more contact with them in the future.

One issue that arose in our interviews with representatives from the schools, districts, and LEFs was the competition among each entity that resulted from multiple individuals approaching the same potential donors at the same time.

Conclusions

Our findings are not consistent with what the popular press has been reporting about LEFs. Although it may be true that they are growing in number, of the three foundations (out of four) we studied, only one is currently playing a significant role in raising funds and resources for its respective school district, one is on the verge of becoming an extremely important player, and one has only a limited role.⁴

Nevertheless, the concept of LEFs is very appealing to other districts—one of the remaining two districts in our sample that does not have a foundation is in the process of developing one, and the other district said it would like to start one but is worried that the selection process for board members might become too political.⁵

⁴The LEF that did not participate in our study also has only a limited role, according to the district with which it is associated.

⁵A couple of recent research studies have examined how to create and sustain education foundations. A study by Useem (1999) examines the governance and operation of LEFs, the relationship between LEFs and districts, LEF strategies, core areas of their work, and conditions for promoting their effectiveness. A study by Muro (1995) focuses on suggestions for fund-raising. (See also California Consortium of Educational Foundations, 1994.)

LEFs may be a good metaphor for private giving in general—the amounts they raise may not be large, but every additional dollar that comes into the schools through the LEFs is highly valued.