

Connecting the Dots

November 2006

**Big Box: How the Heirs of the Wal-Mart Fortune
Have Fueled the Charter School Movement**

By Bryan C. Hassel and Thomas Toch

ABOUT THE AUTHORS

BRYAN C. HASSEL is co-director of Public Impact, a Chapel Hill, N.C.-based education research and consulting company that specializes in charter school issues. He is an Education Sector nonresident senior fellow.

THOMAS TOCH is co-director of Education Sector.

ABOUT THE SERIES

Education Sector's Connecting the Dots series profiles individuals and organizations that are influencing the education policy landscape in important, but not always widely known, ways. Previous subjects in the series include Teach For America's influential alumni network, the academic protégés of Harvard professor and school choice advocate Paul Peterson, and organizations receiving financial support from the National Education Association. Read them at www.educationsector.org.

ABOUT EDUCATION SECTOR

Education Sector is an independent education policy think tank devoted to developing innovative solutions to the nation's most pressing educational problems. We are nonprofit and nonpartisan, both a dependable source of sound thinking on policy and an honest broker of evidence in key education debates throughout the United States.

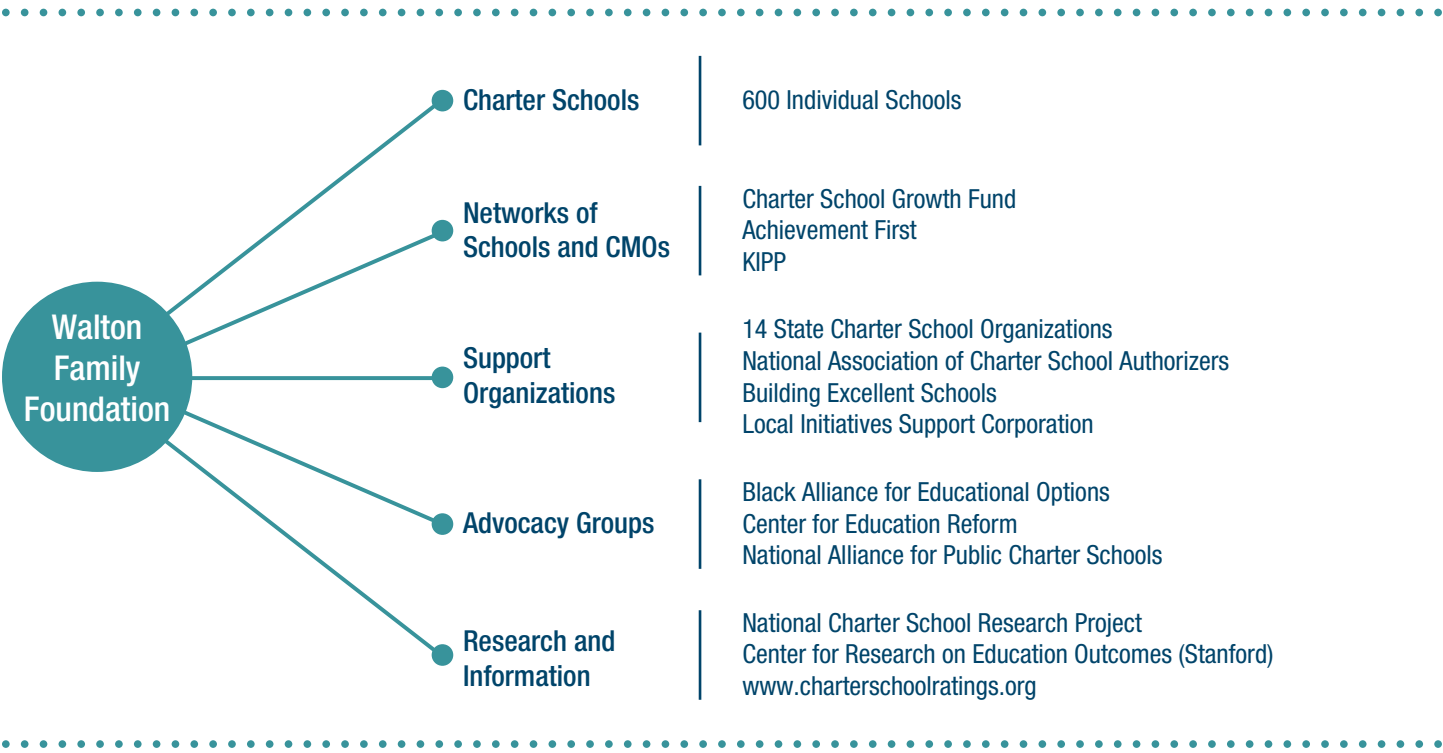
ACKNOWLEDGEMENTS

Sarah Crittenden, Amy Way and Alex Redfield provided research support for this article. Carol Johnson and Sara Mead contributed to this report.

© Copyright 2006 Education Sector. All rights reserved.

1201 Connecticut Ave., N.W., Suite 850, Washington, D.C. 20036
202.552.2840 • www.educationsector.org

The charter school movement has grown from a single school in St. Paul, Minn., in 1992 to more than 4,000 schools educating nearly a million students in 40 states and the District of Columbia. Charter schools have created choices for parents and competition for traditional public schools. They have led to instances of excellence and innovation, but also malfeasance and failure, to both hope and frustration.



The opportunity to operate publicly funded charter schools beyond the reach of union rules and school district regulations has attracted museums, settlement houses, universities, churches, YMCAs, other nonprofit organizations and a host of entrepreneurs to the elementary and secondary education arena and redefined public schooling in the process.

Fourteen years after St. Paul’s City Academy opened its doors, it is increasingly clear that the charter school movement has permanently altered the educational landscape of a growing number of American cities. But many would no doubt be

surprised to learn that the founding family of Wal-Mart has played a central role in this education revolution. The Waltons—heirs to the Wal-Mart fortune and the country’s richest family—have quietly become top philanthropists in education reform, especially charter schooling.

Since its creation in 1962, Arkansas-based Wal-Mart has produced a fortune of more than \$90 billion for founder Sam Walton, his wife and four children. Five years before his death in 1987, Walton used some of that money to establish the Walton Family Foundation in order to pursue a range of philanthropic interests, from the economic

development of the Mississippi Delta to the restoration of marine and fresh water ecosystems.

But under the leadership of his son John Walton, who was committed to improving educational opportunities for disadvantaged children, the foundation became a champion of education.¹ In 1998, the Walton Family Foundation was funding its education agenda at \$4.7 million. By 2004, the foundation gave two-thirds of its \$101 million in grants—\$66 million—to K–12 schooling, outpacing the educational philanthropy of Ford, Carnegie, Kellogg and other venerable foundations. Only the Bill & Melinda Gates Foundation gave more to K–12 education.

Although the Walton foundation devotes some resources to traditional school districts, most of its giving supports school choice, from charter schools to private school vouchers and tuition tax credits, because of John Walton's belief that "empowering parents to choose among competing schools will catalyze improvement across the entire K–12 education system."²

Walton money helped fund the legal defense of the Cleveland, Ohio, school voucher program that permits low-income students to attend private and parochial schools at public expense that was upheld in a landmark 2002 U.S. Supreme Court case. It has funded grassroots political campaigns to establish and expand voucher programs in Washington, D.C., Milwaukee, and other cities. It has funded researchers sympathetic to school vouchers. Before he died in a plane crash in 2005, John Walton had become one of the nation's leading private funders of school choice initiatives. In 1998, Walton and Wall Street financier Theodore Forstmann made \$50 million personal contributions to create a Children's Scholarship Fund that has provided grants to help pay private-school tuition for 70,000 low-income students, and he contributed \$2 million to an unsuccessful voucher initiative in Michigan in 2000.

But most of the foundation's largesse in education—80 percent or some \$50 million a year—supports

charter schooling. That money has been instrumental to the expansion of the charter school sector.

"Walton money has played a strategic role in the charter school movement at a critical point in its development, helping to increase the number of schools, build an advocacy support network, and fund supportive research," says Jeffrey Henig, a professor of political science and education at Teachers College, Columbia University, who is writing a book about the politics of charter schooling, and who is one of the few charter school experts in the nation who does not receive funding from the Walton Family Foundation.

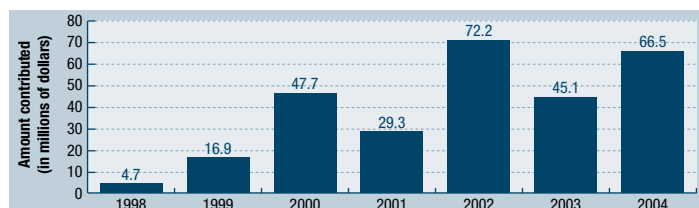
Charter schooling has been contentious from the start, and Wal-Mart has been dogged by its own controversies, so Walton's promotion of charter schooling has intensified the debate about it. "Some critics argue that this is the beginning of the 'Wal-Martization' of education, and a move to for-profit schooling, from which the family could potentially financially benefit," explains a National Committee for Responsive Philanthropy report."³

The Walton Family Foundation's impact can be seen throughout the charter sector. The foundation has funded hundreds of new individual charter schools, a number of charter school management companies, an array of national, state, and local charter advocacy organizations, numerous technical-assistance organizations, and a wide range of charter school research. Says Jim Blew, director of the Walton Family Foundation's elementary and secondary education program: "We're interested in creating options for kids who are trapped in failing schools, many of whom are disadvantaged."

Blew and his colleagues have not pursued the traditional philanthropic strategy of simply funding the best proposals that come through the foundation's door. Rather, Walton, in collaboration with several other newer foundations in education, including the Los Angeles-based Broad Foundation and the San Francisco-based Pisos Foundation, has actively promoted the creation of new organizations to promote school reform,

conceptualizing the organizations and seeking out people to run them—a strategy that Frederick Hess of the American Enterprise Institute has dubbed “muscular philanthropy.”

Figure 1. Walton Foundation Giving to K–12 Education, 1998–2004



Source: Foundation Center annual rankings of top 50 K–12 education givers, 1998–2004.

The foundation’s charter school financing has also led others to contribute to the charter cause. Walton funding “was a catalyst for others to give,” Donald Fisher, the billionaire founder of the Gap retail empire and an active charter school philanthropist who contributes heavily to the KIPP charter school network, told *Philanthropy* magazine in 2005.

This Education Sector Connecting the Dots report examines the many ways the Walton family has funded the charter school movement.

Charter Schools

The Walton Family Foundation has spent \$150 million incubating 600 charter schools since 1998. Only the U.S. Department of Education has provided more charter funding. “Most funders are interested in funding replication of existing schools,” says Caprice Young, director of the California Charter Schools Association, a Walton-funded charter advocacy and technical-assistance organization. “But for that to work, there have to be existing successful schools. If Walton hadn’t plowed this ground, we wouldn’t be gathering this fruit.”

The foundation focuses on getting schools launched. “The planning phase and the first year of launch are the most difficult,” says Blew, “and that’s where our

funds are most appreciated. After that, we figure you’re over the hump.” Walton makes \$10,000 grants to groups developing business plans for new schools and makes another \$10,000 available to help groups write charter proposals required by most charter school “authorizers,” the agencies that approve and oversee charter schools. Schools can receive \$30,000 more to keep planning while they negotiate their charters, and then \$200,000 for start-up.

The foundation has funded schools with a wide range of curriculum priorities and teaching strategies. “John Walton was of the belief that a broad range of types of schools were needed,” says Eric Premack, who heads the Charter Schools Development Center, a technical-assistance organization based in Sacramento. “He was deeply interested in choice.”

The first two schools on the foundation’s alphabetical list of grantees suggest the diversity of educational philosophies that Walton supports. The Academy at the Farm Charter School, in Pasco County, Fla., is designed “to meet the needs of all students in an inclusive environment that promotes academic excellence, character development, and an appreciation for nature and our environment.” It features “horticultural projects with an environmental theme,” according to the school’s Web site. San Diego’s Albert Einstein Academy Charter School, in contrast, offers an “internationally oriented, culturally and linguistically diverse, academically rigorous and socially responsible educational experience” through study of the International Baccalaureate curriculum and instruction in both German and English.

The foundation has narrowed the geographic focus of its start-up support for charter schools, and it has toughened its giving criteria. While it once made grants to charter schools in all corners of the United States, it now targets its charter start-up giving in 27 major cities in 13 states, as well as statewide in its home state of Arkansas, in an attempt to magnify the impact of its grants. According to Blew, the foundation selected these cities based on a range of

factors, including the strength of their charter laws. Within those cities, the foundation tries to direct funds to schools in which at least half the students are from low-income families.

At the same time, the mixed performance of many charter schools nationwide has led the foundation to toughen its grant application process—nascent charters must “show promise to measurably raise student achievement, based on math and reading scores on a reliable test.”

Table 1. Target Cities for Walton Family Foundation Charter School Investments

Phoenix Metro, Ariz.	Fulton County Schools, Ga.
Fresno USD, Calif.	Chicago Public Schools, Ill.
Los Angeles USD, Calif.	Indianapolis Public Schools, Ind.
Oakland USD, Calif.	Detroit Public Schools, Mich.
Sacramento City USD, Calif.	Minneapolis Public Schools, Minn.
San Diego USD, Calif.	St. Paul Public Schools, Minn.
Adams County Dist. 50, Colo.	Albuquerque Public Schools, N.M.
Aurora Public Schools, Colo.	Albany Public Schools, N.Y.
Colorado Springs Dist. 11, Colo.	Harlem Dists. 4 & 5, N.Y.
Denver Public Schools, Colo.	Cleveland Public Schools, Ohio
Harrison Dist. 2, Colo.	Columbus Public Schools, Ohio
Jeffco Public Schools, Colo.	Washington, D.C.
Ft. Lauderdale/Broward, Fla.	Milwaukee Public Schools, Wis.
Atlanta Public Schools, Ga.	

Source: Walton Family Foundation Web site, www.wffhome.com/program_focus.htm.

Networks of Schools and CMOs

The foundation has sought to increase the number of charter schools nationally by moving beyond stand-alone “mom and pop” schools to fund organizations that manage or help develop networks of charter schools under a brand name. Under federal law, Walton and other foundations cannot fund for-profit educational management organizations (EMOs) that operate schools, but they may fund individual schools that contract with EMOs, as well as nonprofit charter management organizations (CMOs).

Walton has supported CMOs and networks of schools in a variety of ways. It has made direct grants, including \$4.5 million over 2003 and 2004 to **KIPP (Knowledge is Power Program) Foundation** and its affiliated schools. KIPP is a network of 52 schools in 16 states and the District of Columbia, that share a commitment to longer school days and years, a strict discipline code, and a college preparatory curriculum. Walton has also funded **Achievement First, Aspire Public Schools, Leadership Public Schools, Lighthouse Academies, and Propel Schools**. Together, they operate 45 schools nationally.

At the same time, Walton has made substantial grants to intermediary organizations that invest in CMOs. A prime example is the **NewSchools Venture Fund**, a San Francisco-based “venture philanthropy” established in 1998 that funds the launch of charter school companies and other school-improvement organizations. NewSchools has funded Aspire and Lighthouse, as well as **Green Dot Public Schools, High Tech High, Partnership to Uplift Communities**, and several other CMOs. Walton gave NewSchools \$3.4 million between 2002 and 2004.

More recently, Walton has played a central role in founding and financing the **Charter School Growth Fund**, a nonprofit that is seeking to assemble \$100 million to “significantly increase the capacity of proven educational entrepreneurs to develop and grow networks of high quality charter schools.” The fund seeks out successful charter schools with the potential to replicate their models and then provides the schools with a range of financial and technical help. Walton helped launch the fund with an initial pledge of \$5 million and expects to contribute an additional \$20 million over time. Several other philanthropies are also financing the fund, including the Ewing & Marion Kauffman, Lynde and Harry Bradley, Don and Doris Fisher and Annie E. Casey foundations.

About one-third of the Walton foundation’s individual school grants go to schools that aren’t starting from

scratch, but rather replicate already successful schools. Blew expects the foundation to increase that proportion over time, while continuing to invest in straight start-ups.

There is ongoing debate within the charter school sector about whether multi-school organizations or individual stand-alones better achieve the movement's goals of innovation and widespread choice in public education. Walton is agnostic in that debate, funding both approaches out of a belief that they are mutually reinforcing.

Support Organizations

A dizzying array of ancillary organizations has grown up around charter schools to respond to a host of questions that were largely unaddressed by state charter laws: Who would support the schools, divorced as they are from conventional school districts? Where would the leaders come from? How would they finance their facilities? And how would the authorizers, charged with overseeing the schools, carry out their responsibilities? Each of these questions has spawned organizations to answer them. There are organizations that provide technical support, that recruit and train charter leaders, that help finance facilities, and that help authorizers. And quite often, Walton is footing a large portion of their bills.

Early on in the charter school movement, organizations began to emerge to support the fledgling sector, usually at the state level. Some were nonprofit “resource centers,” others were membership organizations. Every state with a charter law, or even the prospect of one, soon came to have one or more such support organizations. These groups help would-be charter founders with their school plans; hold conferences and institutes on curriculum development and other educational topics; provide services to schools (or connect them with vendors) regarding everything from insurance and accounting to leadership development; and advocate on behalf of the charter sector in state

legislatures. Some have increasingly sought to be agents of “quality” among charters by, for example, conducting onsite reviews of schools to unearth problems.

Walton has played an enormous role in the development of this part of the charter sector. It provided the early support for many state organizations, and it currently supports 14 statewide support organizations in its target areas. Its largest grant to that kind of organization went to the **California Charter Schools Association** (\$2.9 million) in 2004. Between 2002 and 2004, Walton also provided a substantial amount of money to similar associations in Colorado (\$1.6 million), Florida (\$807,000), New York (\$761,000), and Illinois (\$425,000).

Walton hasn't hesitated to influence the organizations it has helped to create. The foundation, for example, has required state-level charter-support organizations to engage in strategic planning as a condition of Walton financial support, and the planning often has been facilitated by consultants hired by the foundation.

In California, Walton has shaped the nature of statewide charter school support. There were two statewide charter support organizations in the late 1990s, a membership association and a university-based Charter Schools Development Center (CSDC). Walton and other funders envisioned a unified organization that, with more funding, could advocate and provide services to schools on a larger scale. The foundation sought to broker a merger between the two organizations, but when merger talks foundered, Walton and its funding partners backed a new membership organization, the California Charter Schools Association, while CSDC helped found an alternative charter advocacy group called CharterVoice. Observers say that the new Walton-backed association is by far the more influential voice for charters in the state today.

Walton has also been active in building a national

charter school infrastructure. Walton has been a long-time funder of the **National Alliance for Public Charter Schools**, a nonprofit, pro-charter research and advocacy group, and of the Alliance's predecessor, the **Charter Friends National Network**. Charter Friends received nearly \$1 million from the foundation between 2002 and 2003, and since then the Alliance has received an additional \$1.5 million from Walton.

Recruiting and training charter school leaders has been a daunting challenge in the charter world and a key focus for the Walton foundation. In 2004, Walton invested \$2 million in **Building Excellent Schools (BES)**, a Boston-based nonprofit that finds and trains "fellows" to start charter schools. Building on its initial work in Massachusetts, BES now trains fellows in Cleveland, Denver, Indianapolis, Milwaukee, New York City, and Washington, D.C. Walton also supports **New Leaders for New Schools (NLNS)**, which cultivates administrators for both traditional public schools and charters. Walton has made \$2.2 million in grants and commitments to NLNS specifically to recruit and train charter leaders.

Finding and financing suitable facilities is often a challenge for charter schools, since few state charter laws provide facilities or capital funding. Walton has sought to address the issue by having an existing community development lender, New York-based **Local Initiatives Support Corporation (LISC)**, create an **Educational Facilities Financing Center** with \$14 million in grants and loans from Walton and \$25 million raised from other sources. LISC expects these funds to leverage \$300 million in financing for charter school facilities.

Walton also has invested in the task of improving the quality of charter school authorizing—the evaluation and approval of charter school applications and the scrutiny of the schools' performance once they are up and running. It is difficult work, given that charter schools represent a new way of providing public education that is at once autonomous, independently operated and publicly accountable. Walton has pledged \$2.5 million over the next

three years to support the **National Association of Charter School Authorizers (NACSA)**, a Chicago-based membership association of universities, school boards and other educational agencies that authorize charter public schools. Founded in 2000, NACSA provides standards, training, and technical assistance to charter authorizers.

Advocacy Groups

The Waltons have sought to defend charter schools from school boards, teachers unions, and other opponents by bankrolling pro-charter political initiatives and a wide range of charter advocacy organizations. Before his death in 2005, John Walton was a significant contributor to pro-charter political causes that his family's foundation was prohibited from supporting because it is a tax-exempt organization. In 2004, he joined Gap founder Don Fisher and Microsoft's Bill Gates in subsidizing an unsuccessful campaign to save Washington state's recently-passed charter law from repeal. And he made substantial contributions to lobbying organizations such as **EdVoice**, an influential California nonprofit that advocates in Sacramento for charter schools and other education changes.

The Walton Family Foundation, however, is permitted to fund charter advocacy organizations. It is a major financier of the Washington, D.C.-based **National Alliance for Public Charter Schools**, which seeks to serve as the national "voice" of the charter movement. The organization advocates pro-charter policies, responds to charter-school critics, and promotes improvements in charter schooling. The Walton foundation also funds organizations that advocate school choice more broadly, including the **Black Alliance for Educational Options** and the **Center for Education Reform**. Both organizations are based in Washington, D.C., and both promote vouchers and tuition tax credits as well as charter schools. Some charter school advocates distance themselves from school vouchers. The Walton foundation, in contrast, promotes vouchers, tax credits, and charters with equal enthusiasm in

keeping with John Walton's faith in the power of competition to leverage school reform.

Research and Information

The foundation is also a leading funder of research and information gathering on charter schooling. It has given the University of Washington's Center on Reinventing Public Education, an education research center sympathetic to charter schools, some \$500,000 a year for the past three years in support of its **National Charter School Research Project**. The new center recently published a frank report on the mixed performance of charter schools to date. The project has convened a panel of leading researchers to resolve controversy about how best to evaluate charter school performance. It prepares an annual report highlighting key issues in the charter sector

and produces publications on special topics such as scaling-up charter schools in urban areas.⁴

Walton has sought to make information available about individual charters by helping to fund the launch of the Web site **www.charterschoolratings.org**, a project sponsored by the online school information service GreatSchools.net. Walton also funded Stanford University's **Center for Research on Education Outcomes** to create a charter school "data warehouse" that was initially designed to collect and analyze information from all schools that received Walton funding. But Jim Blew says the data warehouse could grow into a broader database of information about charter schools nationally. Blew says the foundation's future research investments are likely to support this kind of hard-data collection, rather than evaluations of charter schools.

DISCLOSURE: Author Bryan C. Hassel's organization, Public Impact, has worked on and continues to work on projects that are funded in whole or in part by the Walton Family Foundation, and its clients include several of the organizations mentioned in this report. While Education Sector has not received funding from the Walton Family Foundation, various people affiliated with Education Sector are involved with organizations and initiatives mentioned in this Connecting the Dots report. Education Sector Co-founder Andrew Rotherham and Board Member Bruno Manno serve on the board of directors of the National Alliance for Public Charter Schools, which is chaired by Education Sector Board Member Johnathan Williams. Rotherham also serves on the advisory board for the National Charter Schools Research Project and has informally served on task forces of the National Association of Charter School Authorizers. Williams also serves on the board of directors of the California Charter Schools Association. Kim Smith, co-founder of NewSchools Venture Fund, is an Education Sector board member, and Frederick M. Hess is a nonresident senior fellow. Finally, the NewSchools Venture Fund served as the fiscal agent for Education Sector from January 2005 to July 2006 until Education Sector was officially recognized as a nonprofit organization by the Internal Revenue Service. Education Sector has received funding from several other foundations mentioned in this report, including the Broad, Annie E. Casey, Carnegie, Bill & Melinda Gates, Ewing & Marion Kauffman and Pisces foundations.

Endnotes

- ¹ Except where otherwise noted, any references to dollar amounts of grants are from Form 990s submitted by the Walton Family Foundation to the Internal Revenue Service. Since 2004 is the last year for which 990s are publicly available, grant totals reported here typically stop at 2004. In many cases, Walton may have made subsequent grants to recipients that have not yet been captured in public 990s. Foundation 990s can be viewed at: <http://foundationcenter.org/findfunders/990finder/>.
- ² Joanne Jacobs, “The Carnegie of School Choice: John Walton’s Work to Ensure Good Schools for All Children Leaves a Lasting Legacy,” *Philanthropy*, September/October 2005, <http://www.philanthropyroundtable.org/article.asp?article=1088&paper=0&cat=147>.
- ³ National Committee for Responsive Philanthropy, “Walton’s and Wal-Mart’s Charitable Giving Acts as Façade for Conservative Political Agenda and Personal Financial Gain” (press release October 4, 2005), http://ncrp.org/press_room/index.asp?Article_Id=73.
- ⁴ For these and other publications see the Project’s website at <http://www.ncsrp.org/>.