

**Meeting the Challenge:
Fundraising Progress in the Annenberg Challenge**

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Meeting the Challenge: Fundraising Progress in the Annenberg Challenge

Introduction

At the White House on December 17, 1993, President Clinton announced the largest private gift to public education in American history: a pledge of one-half billion dollars by publisher, philanthropist, and former U. S. Ambassador to Great Britain, Walter H. Annenberg. At the time of the announcement, the Ambassador envisioned his overture less as a gift and more as a challenge: “I do not believe the Annenberg Foundation’s \$500 million Challenge grant. . . will do the whole job. This must be a challenge to the nation.”

In the years since, 18 aptly-named Annenberg Challenge projects have emerged and gained strength across the country.¹ Though part of a national effort, each project is above all a product of unique local circumstances. Because the Challenge believes that the most effective strategies for improving schools are those that build upon local needs and strengths, it requires communities to work together to identify and solve their own particular educational problems.

Each local Challenge project, therefore, is the result of a planning group that involved area foundations, school reformers, universities, community groups, business leaders, and people working in schools. And all the Challenge initiatives are run by local, independent, nonprofit entities—in most instances, specially created organizations that evolved from the collaborative planning groups.

The Ambassador understood from the beginning that Challenge projects would require broad-based support within their community. The vision of support that emerged entailed not only financial backing but substantial investments of time and energy by private citizens and institutions—not just for their own children, but for “other people’s” children as well.

To spur such participation and support, the Annenberg Foundation’s Challenge grants carried a sizable stipulation: that communities would need to match Annenberg dollars, in most cases, on a two-to-one basis. Several hopes fueled this matching requirement. First and foremost, the Foundation sought to encourage America’s

¹ In addition to the 18 matching grants, Ambassador Annenberg’s \$500 million Challenge commitment included several substantial outright gifts to pre-existing school reform organizations—namely, the Annenberg Institute for School Reform, New American Schools, and the Education Commission of the States—to support ongoing, national efforts to re-think America’s system of schooling. Altogether, outright gifts account for \$129.4 million, while the remaining \$370.6 million funds the 18 Challenge projects.

privileged to add or increase their support of public education reform. Second, it hoped the Challenge would act as a catalyst to better align the funding of existing, locally-rooted education programs—to make them more cohesive and ultimately deliver greater impact. Third, the Foundation wanted to generate new public resources for schools as well as to re-direct existing local, state, and federal dollars so they better supported ambitious reform agendas. Finally, by requiring local matching investment, Ambassador Annenberg wished to stimulate the civic interest, involvement, and support for public education needed to sustain school reform efforts beyond the life of Challenge funding.

How is the Challenge faring? Communities across the country *have* mobilized under the Challenge banner. Today, through its 18 local projects, the Challenge funds approximately 2,400 schools in more than 330 school districts in 35 states. More than 1,000 local groups—including businesses, independent reform organizations, and not-for-profit agencies—are partners in the Challenge reforms. In 1999 alone, Challenge funds will reach nearly 1.5 million students.

Independent researchers around the country are evaluating how these various school reform efforts are progressing. By September 1999, research teams following each project had produced more than 80 evaluation reports. Together, they suggest that the Challenge is having significant, positive impact on students, teachers, schools, and school systems.²

This summary, however, addresses a different issue: how the nation's philanthropic community has responded to the Ambassador's challenge. To explore this subject—and to offer information that might benefit the projects in their ongoing development efforts—the Challenge national office, in conjunction with staff from the Annenberg Foundation and from individual Challenge projects, analyzed donor data (current as of September 30, 1999) provided by each project. As the information summarized here indicates, American philanthropy has responded to the Challenge with distinct enthusiasm:

- The Challenge is galvanizing widespread and generous support, garnering \$550 million in matching funds from more than 1,300 donors.
- Projects are on schedule raising matching dollars, with eight of 18 already meeting their fundraising goal.

² For details of the Challenge's accomplishments and impacts, see its interim report, *Citizens Changing Their Schools*, available from the Challenge national office at the Annenberg Institute for School Reform at Brown University.

- The Challenge is broadening the customary base of support for school reform at the same time that it is promoting greater collaboration among foundations, its traditional supporters.
- Local philanthropic ownership has emerged as a hallmark of the Challenge.

At a time of waning confidence in public education, when the problems plaguing urban schools especially appear overwhelming, the numbers presented here tell an encouraging story: that ordinary citizens, elected officials, business interests, and philanthropic organizations all have a role to play in improving public education, and they are eager to meet their obligation.

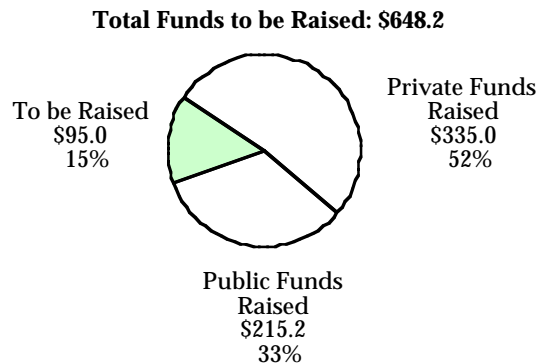
Galvanizing Widespread and Generous Support

The Challenge is succeeding in its goal to marshal widespread and generous support within the local communities of its projects. Collectively, public and private sources have contributed more than \$550 million in matching funds, 85 percent of the total to be raised (Figure 1a).³

From the outset, the Challenge sought to invigorate financial support for school reform within both the public and private sectors. Accordingly, up to 50 percent of each project's matching dollars can include public funding—typically, re-aligned school district and city allocations, state grants, and federal Title I funding. The Challenge hoped that projects might also generate or attract *new* public funds, a potentially tougher task, but one that is bearing fruit. The Center for Arts Education, New York City's arts education Challenge project, for example, has achieved notable success in leveraging significant new public funding for arts education in New York. Mayor Rudolf Giuliani and the New York City Board of Education have allocated \$150 million over three years (FY98-00) to Project ARTS, a plan to provide arts instruction in all grades. In Philadelphia, a city tax of 10 percent on liquor sold by the drink provides roughly \$19 million yearly in support of Philadelphia schools.

A subsequent analysis will examine the Challenge's public funding as more detailed information becomes available. In the meantime, this summary focuses primarily on data collected regarding the *private* funds raised by Challenge projects.

Figure 1a. Total Matching Funds Raised in Millions as of 9/30/99



³ For the purposes of this report, matching funds raised include certified cash receipts as well as pledges recorded by Challenge projects.

Private contributions recorded by Challenge projects—from more than 1,300 donors—run the full gamut of giving in America. They range from William R. Hewlett’s stunning \$35 million commitment in the San Francisco Bay area (from his personal fortune, as well as from the William and Flora Hewlett Foundation) to \$5 donations by individuals. Contributors include community, corporate, and family foundations large and small, local and national in scope. Businesses, universities, and cultural and community groups are all playing a part.

Donors contributing to the Challenge are as generous as they are numerous (Figure 1b). Sixty-eight contributions of at least \$1 million have been recorded, representing nearly 80 percent of all the private funds raised so far. Seven donors have made gifts of more than \$10 million. Twenty organizations—mostly large, national foundations and corporations—have contributed to three or more Challenge projects (Figure 1c).

In some Challenge projects, local financial support has been not only generous but swift. Within a matter of weeks, private citizens, foundations, and corporations in Chattanooga contributed \$5 million to match Annenberg. Boston’s philanthropic and corporate communities provided \$9.5 million of the \$10 million private target six months after that city’s Challenge grant announcement. Within two years, private contributions and pledges in Philadelphia were close to the \$50 million target.

It is important to note that not all the matching funds have gone directly to or

Figure 1b. Million-Dollar Donors as of 9/30/99

Range of Pledge Funds	Number of Private Donors	Percent of Private Donors	Private Pledges in Millions	Percent of Private Pledges
<i>Total Challenge</i>	<i>1,316</i>	<i>100%</i>	<i>\$351M*</i>	<i>100%</i>
\$10,000,000 or more	7	0.5%	\$114.7 M	32.6%
\$5,000,000 to \$9,999,999	10	0.8%	\$59.3 M	16.9%
\$1,000,000 to \$4,999,999	51	2.1%	\$105.3 M	30.0%
<i>Total Million-Dollar Donors</i>	<i>68</i>	<i>3.4%</i>	<i>\$279.3 M</i>	<i>79.5%</i>

* Includes contributions in excess of matching requirements

through Annenberg projects. Auditors of local Challenge projects certify funds as “matching” when they support school reform programs consistent with the Annenberg project’s vision and funding criteria. Such “aligned” funding promotes the Challenge’s goal of making local school reform efforts more focused and cohesive, and thereby more effective. It helps reduce duplication of effort and cases of conflicting priorities when schools—as many do—have multiple sources of outside funding.

Figure 1c. Donors Contributing to Three or More Challenge Projects as of 9/30/99

Donor	Number of Contributions	Challenge Recipients
IBM	7	Bay Area, Boston, Chicago, Los Angeles, New York, Philadelphia, S. Florida
AT & T	6	Bay Area, Boston, Detroit, Los Angeles, Philadelphia, S. Florida
Charles Stewart Mott Foundation	5	Atlanta, Bay Area, Detroit, Los Angeles, Rural
John S. & James L. Knight Foundation	5	Bay Area, Detroit, Los Angeles, Philadelphia, S. Florida
The Annie E. Casey Foundation	4	Chattanooga, New York, Philadelphia, Rural
Charles Hayden Foundation	4	Boston, Chelsea, New York, NYC-CAE
DeWitt Wallace-Reader’s Digest Fund	4	Chicago, Philadelphia, Rural, S. Florida
Ford Foundation	4	Houston, Los Angeles, New York, Rural
The Pew Charitable Trusts	4	Los Angeles, New York, Philadelphia, Rural
Surdna Foundation, Inc.	4	Boston, New York, Philadelphia, S. Florida
W. K. Kellogg Foundation	4	Baltimore, Detroit, New York, Rural
Bank of America	3	Bay Area, Chicago, Los Angeles
BellSouth Foundation	3	Chattanooga, Rural, S. Florida
Carnegie Corporation of New York	3	Boston, Los Angeles, New York
Citibank	3	Los Angeles, New York, S. Florida
The Danforth Foundation	3	Boston, Philadelphia, S. Florida
The Edna McConnell Clark Foundation	3	Los Angeles, New York, Philadelphia
NYNEX	3	Chelsea, New York, NYC-CAE
Open Society Institute	3	New York, NYC-CAE, Rural
Rockefeller Brothers Foundation	3	Los Angeles, New York, Rural

MAKING STEADY PROGRESS

One feature of the Challenge's matching requirement is that projects may only draw down Annenberg dollars in amounts equal to the certified funds they have raised locally. As a result, Challenge projects face not only ambitious fundraising targets but also demanding fundraising schedules, ensuring that the work never gets much ahead of the resources.

It is also important to note that because the Annenberg Foundation awarded its Challenge grants over a period of several years, each project has its own timetable for program implementation as well as fundraising. Thus, while a few Challenge projects are nearing the end of their Annenberg-supported work, others are mid-way through.

The Foundation's decision to stagger its grant awards was strategic; it recognized that the experiences of the first projects could inform those that followed. One such early lesson was that raising matching funds is easiest in the beginning stages of a project. Accordingly, the Foundation asked some of its later grantees to obtain funding commitments *in advance* of receiving a Challenge grant. For example, by the time the Detroit project announced its \$20 million award in October 1996, it had raised more than \$16 million in private pledges and contributions.

However, all 18 projects, as Figure 2 shows, are making steady fundraising progress. Eight projects have met their development targets—six ahead of schedule. Indeed, these eight projects not only have reached but surpassed their fundraising goals, collectively raising over \$24 million in excess of their required total.⁴ In addition, 10 of the 18 projects have raised more than 90 percent of their required match, and fully two-thirds of projects have raised more than three-quarters of their matching targets. Every Challenge initiative has passed the half-way mark in terms of fundraising.

Because figures given in this analysis represent contributions made as of September 30, 1999, it bears emphasizing that current totals for Challenge projects may well be higher than those listed here. Subsequent to September, for instance, Minnesota's Arts for Academic Achievement has met its required match.

⁴ Funds raised in excess of the required match are not included in Figure 2.

Figure 2. Matching Grants in Millions; Progress in Raising Matching Funds as of 9/30/99

<i>Large Urban and Rural Grants</i>	Award Date	Challenge Grant	Total Match to Raise	Public & Private Match Raised
Bay Area (San Francisco)	August 1995	\$25 M	\$75 M*	\$75 M
Boston	October 1996	10	20	20
Chicago	March 1995	49.2	98.4	85.2
Detroit	October 1996	20	40	37.1
Houston	January 1997	20	40	21.8
Los Angeles	December 1994	53	53	53
New York Networks for School Renewal	November 1994	25	50	50
Philadelphia	April 1995	50	100	93.2
Rural School and Community Trust	August 1995	50	50	34.2
South Florida	January 1997	33.4	66.6	38.3
<i>Arts Education Grants</i>	Award Date	Challenge Grant	Total Match to Raise	Public & Private Match Raised
Arts for Academic Achievement (Minnesota)	July 1997	3.2	6.4	3.2
Center for Arts Education (New York City)	July 1996	12	24	17.3
TETAC**	April 1996	4.3	4.3	4.3
<i>Special Opportunity Grants</i>	Award Date	Challenge Grant	Total Match to Raise	Public & Private Match Raised
Atlanta	June 1997	1.5	3	1.5
Chattanooga	May 1995	4	5.5	5.5
Chelsea (MA)	July 1996	2	2	2
Salt Lake City	December 1996	4	8	6.6
W. Baltimore	March 1996	1	2	2
Total	—	\$367.6 M***	\$648.2 M	\$550.2 M

* Includes \$25 million Hewlett pledge

** Transforming Education through the Arts Challenge

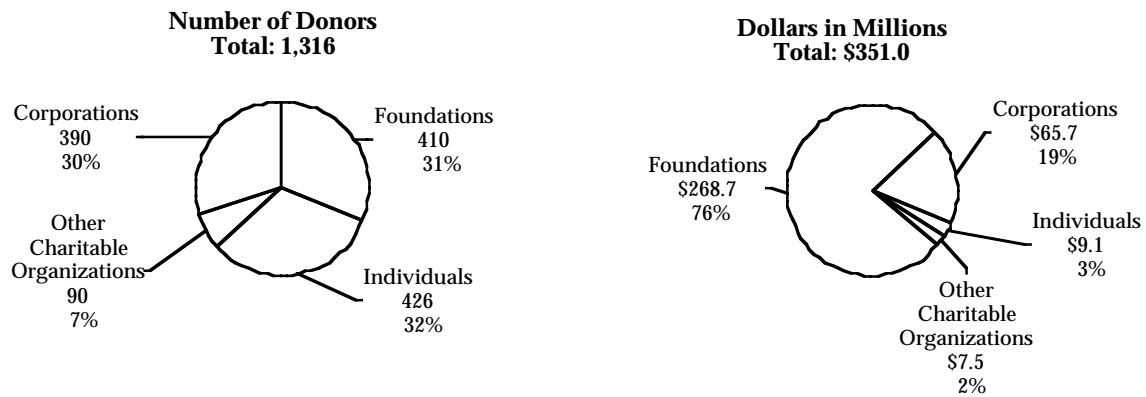
*** This figure excludes an early \$3 million arts education grant that is no longer active; the \$3 million reconciles the total cited here with that given in the footnote on page 1.

FOSTERING PHILANTHROPIC COLLABORATION

The Challenge hoped to spark the creation of new partnerships among foundation, business, and community leaders who would collaborate to support improved public schools. With the number of its contributions evenly distributed among foundations, corporations, and individuals, the Challenge is succeeding in broadening the base of private support for school reform (Figure 3a).

At the same time, the Challenge also has proved to be an opportunity that many in the foundation community have eagerly embraced. Measured in dollar amounts, foundations have been the Challenge's major supporters, giving more than \$268 million or 76.5 percent of the total private funds contributed. In addition, foundations dominate the list of the largest gifts to the Challenge (Figure 3b). They have provided 15 of the largest 17 contributions, totaling \$159.5 million—a remarkable testament to their willingness to support a program bearing another's name. All seven of the \$10 million-plus contributions come from foundations with headquarters in Challenge cities, and their extraordinary commitment merits special mention: Hewlett in the Bay Area, MacArthur and Joyce in Chicago, William Penn and Pew in Philadelphia, Weingart in Los Angeles, and Brown in Houston. These seven organizations have contributed \$114 million, nearly one-third of the total private funds contributed to date. Another eight

Figure 3a. Private Contributions by Donor Type: All Projects as of 9/30/99



Note: Corporate foundations, such as the AT&T Foundation, are included under the "Corporation" category. Examples of "Other Charitable Organizations" include non-profits such as parent, civic, and cultural groups, universities, and school reform organizations. Also, individual donations (and thus the total number as well) actually exceed those recorded here, because in some instances small gifts from employees of a single company may have been grouped as one.

foundations have contributed \$5 million or more.

Finally, another of the Challenge's original goals was to encourage collaboration and innovation among local grantmakers. Challenge projects in the San Francisco Bay region and in Boston offer two such examples.

The Challenge's Bay Area School Reform Collaborative (BASRC) has introduced a variety of innovations to local grantmakers.⁵ BASRC has established a Funders

Figure 3b. The Challenge's Top Gifts: Private Donors Contributing \$5,000,000 or more as of 9/30/99

Donor	Challenge Recipients	Amount In Millions
William and Flora Hewlett Foundation	Bay Area, Rural	\$35.1
The John D. and Catherine T. MacArthur Foundation	Chicago, S. Florida	17.7
The William Penn Foundation	Philadelphia	14.2
Weingart Foundation	Los Angeles	13.9
The Pew Charitable Trusts	Philadelphia, Los Angeles, New York, Rural	12.4
Brown Foundation	Houston	11.0
The Joyce Foundation	Chicago	10.4
DeWitt Wallace-Reader's Digest Fund	Chicago, Philadelphia, Rural, S. Florida	8.7
John S. & James L. Knight Foundation	Bay Area, Detroit, Los Angeles, Philadelphia, S. Florida	6.8
The Annie E. Casey Foundation	Chattanooga, New York, Philadelphia, Rural	6.2
W. K. Kellogg Foundation	Baltimore, Detroit, New York, Rural	5.8
Polk Bros. Foundation	Chicago	5.7
Walter S. Johnson Foundation	Bay Area, Rural	5.7
Noyce Foundation	Bay Area, Rural	5.4
Lyndhurst Foundation	Chattanooga, Rural	5.0
Time Warner	New York	5.0
Kresge Foundation	Detroit	5.0
		TOTAL: \$174.0

⁵ For additional information, see *Creating a Regional Mosaic: The Influence of the Bay Area School Reform Collaborative on Educational Grantmaking in the San Francisco Bay Area*, available from the Challenge national office at the Annenberg Institute for School Reform at Brown University.

Learning Community, a network of twenty some K-12 education funders that shares information, promising strategies and groundbreaking work in school reform. Additionally, BASRC has made a point of including funders in activities from which they have been traditionally absent, allowing them to work—and learn—alongside the educators they support. For instance, a large number of foundation staff participated in BASRC's "portfolio reviews," the admission process required for membership to the Collaborative, during which peer panels examined and scored applicants' portfolios. BASRC also included funders in the development of its six Research & Development initiatives, efforts to discover and spread new knowledge about pressing issues facing schools. In these ways, BASRC has fostered a deepened understanding among area funders, helping them appreciate the complexities and opportunities inherent in school reform and building an awareness of the need to act cohesively and regionally. These developments point to a more realistic hope for sustaining improvement in schools.

In Boston, too, the Challenge is leaving its mark on the philanthropic community. To support partnerships among schools and non-profits such as universities, cultural organizations, and other community groups, it has spearheaded a new collaborative effort among seven local foundations, called the Fund for Non-Profits (FNP). Schools and non-profits apply jointly for FNP grants that further a *school's* teaching and learning goals, in contrast to schools tailoring grant applications to fit a variety of funders' agendas. The FNP also ensures that its grant proposals are consistent with the whole-school change strategy of the Boston Challenge and the district's reform effort. Preliminary indications suggest a new-found focus is emerging that emphasizes improved student achievement as the ultimate goal of all school/non-profit collaborations. The FNP currently is exploring opportunities to bring in additional funders as well as to continue its activities after the Challenge ends in Boston.

PROMOTING CIVIC-MINDEDNESS

From the start, the Challenge sought to put fundraising, and the responsibility for public schools, in the hands of local communities. And it has. Data suggest that the Challenge has spurred local philanthropic ownership of its projects, reinvigorating a sense of community and civic-mindedness among funders in Challenge communities.

Thirteen of the Challenge's largest 17 contributions—totaling \$146.5 million—come from local and regional grantmakers within Annenberg communities. Nearly 95 percent of Challenge donations were made to a single project—notably, to the Annenberg program situated within the donor's community. Of the donors that have made multiple contributions, 70 percent gave to two projects. Nearly half of these supported Annenberg efforts in the same geographic area, namely, the two Challenge initiatives in New York City and the two in California.

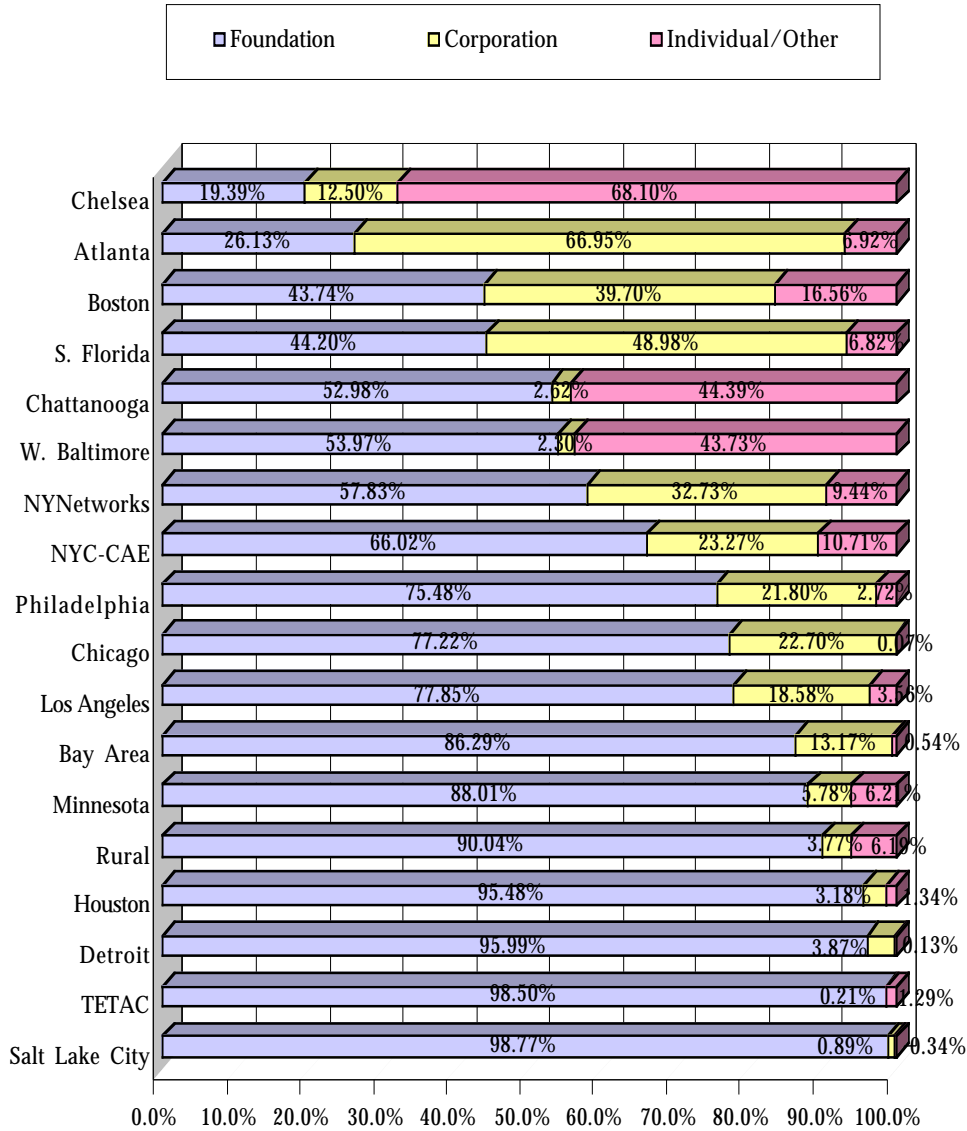
The local nature of this philanthropic support, in short, comes as no surprise; it is intentional. The surprising aspect, however, is the distinctiveness of each project's fundraising landscape—a unique blend of geographic scope and programmatic goals paired with the strength and composition of its local philanthropic community.

One measure of these local differences, as Figure 4 shows, is the varying proportions of foundation, corporation, and individual donors within and across Challenge projects. South Florida, for example, is as much a bastion of corporate philanthropy as it is of foundation giving. Corporations and corporate foundations have provided almost half the matching dollars raised to date by the South Florida Annenberg Challenge (49 percent), with other (non-corporate) foundations contributing 44 percent, while individuals gave 7 percent. In Detroit, by contrast, foundations account for 96 percent of the dollars raised and corporations 4 percent. Home to two large national foundations, Kellogg and Kresge, as well as a robust local foundation, Skillman, Detroit's Annenberg Challenge has benefited tremendously from a local foundation tradition of civic-mindedness and generosity.

In some cases, local circumstances also have impacted the pace of fundraising. In South Florida, it was clear from the start that raising private matching funds would *be* a challenge, since the region lacked a strong tradition of either corporate or foundation philanthropy. This expectation has proved true, although one of the legacies of the South Florida project will no doubt be a deeper and broader philanthropic presence.

The local nature of Challenge support has had special implications for one Annenberg project in particular: the Rural School and Community Trust, which operates

**Figure 4. Private Match Raised by Donor Type: Individual Challenge Projects as of 9/30/99
Sorted by Increasing Percentage of Foundation Support**



in rural schools in 33 states across the country. As a national program without the benefit of a centralized, well-defined area of operation, the Rural School and Community Trust lacks a natural “home field advantage.” Put another way, its 30-plus funded projects have 30-plus backyards, but compared to New York or Los Angeles, they are distinctly tiny ones. Because fewer people populate rural areas, and because

corporations and foundations tend to be headquartered elsewhere, opportunities for garnering substantial support from local donors are limited. Indeed, compared to urban areas, funds for public education in rural communities, whether they come from public or private sources, have always been scarce. Recognizing these realities, the Annenberg Foundation asked the Rural project to match its dollars on a one-to-one basis. That the Rural School and Community Trust has raised two-thirds of its \$50 million match is an accomplishment worthy of note.

Conclusion

In conclusion, the extent to which communities have rallied to support the Annenberg Challenge is remarkable. With this widespread support has come fresh collaboration among local grantmakers and opportunities to target education dollars more effectively than ever before. The Challenge, the record suggests, is not just stimulating school reform but also providing an occasion for philanthropic innovation.

Of course, the numbers reported here also tell an important story of dollars and cents raised for education. Those who have contributed so generously to the Challenge have offered an influx of badly needed resources—at a time when the problems schools face rarely have been greater and the expectations for what they should accomplish never higher. (Indeed, it was to address these very conditions that Ambassador Annenberg launched the Challenge as a public-private partnership to improve public schools in some of our nation's most vulnerable communities.) But the experience of the Challenge to date reminds us that private investment in public education—no matter how generous—cannot do the job alone. Supplemental resources can provide vision, innovation, and support for public education, but they can neither substitute for robust public funding nor compensate for the ills of insufficient local investment.

It may be that contributors to the Challenge have given something as valuable as their money: a vote of confidence in the viability of public institutions in general, in public schools in particular. Only such renewed faith can buttress efforts to sustain and increase levels of public funding in support of education.
