



NewSchools' City Fund Strategy



National Charter School Resource Center Conference
May 12, 2011

Transforming Public Education

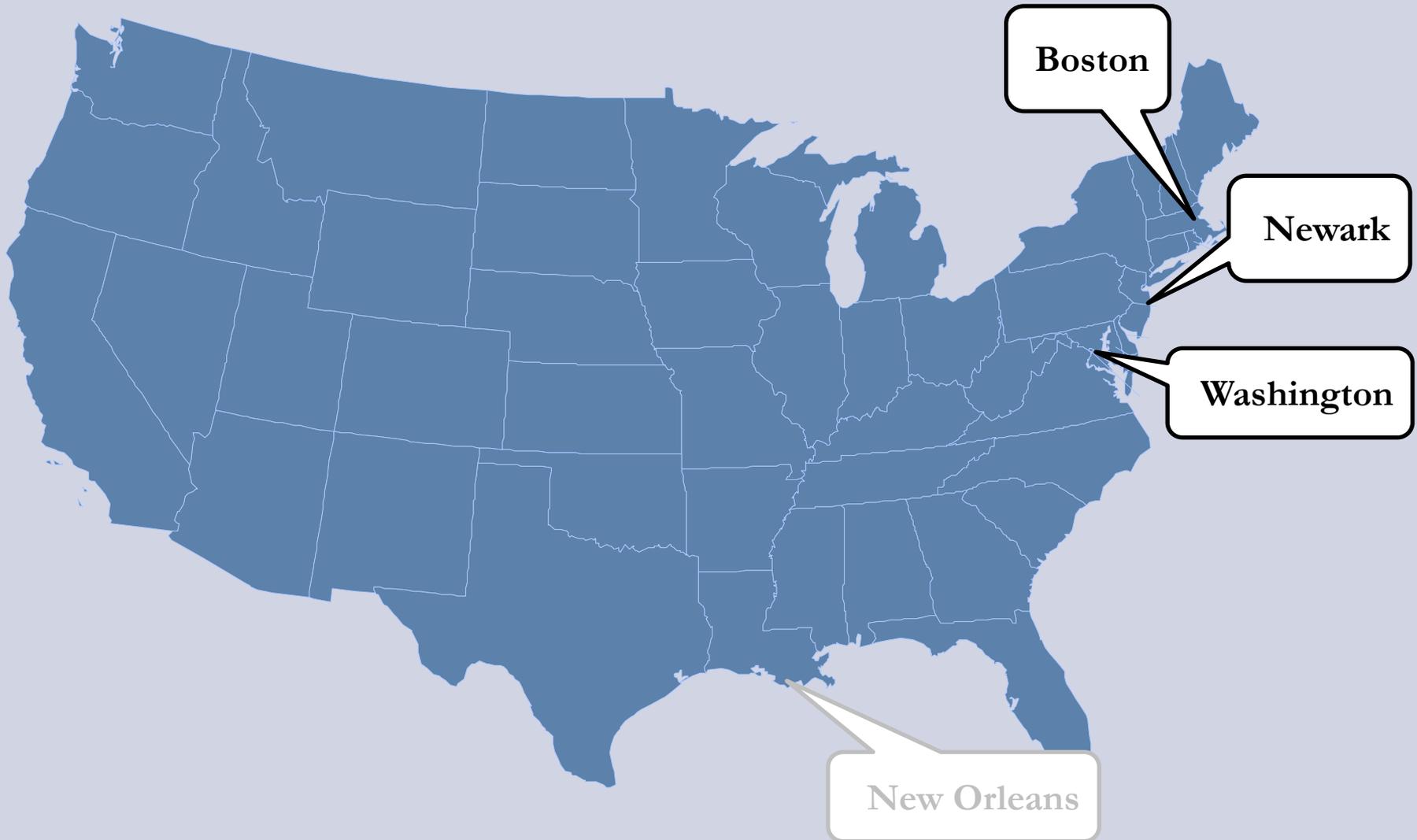
Mission:

To transform public education through powerful **ideas** and passionate **entrepreneurs** so that all children – especially those in underserved communities – have the opportunity to succeed.

How We Work:

- ▶ **Identify** entrepreneurs with the greatest potential for both direct and catalytic impact
- ▶ **Support** ventures as they grow to scale, through funding, management guidance, technical expertise and community building
- ▶ **Develop & Share** knowledge about what works, among our portfolio ventures and with the broader community of practitioners and policy makers
- ▶ **Connect** thought leaders across the business, education, nonprofit, and policy sectors

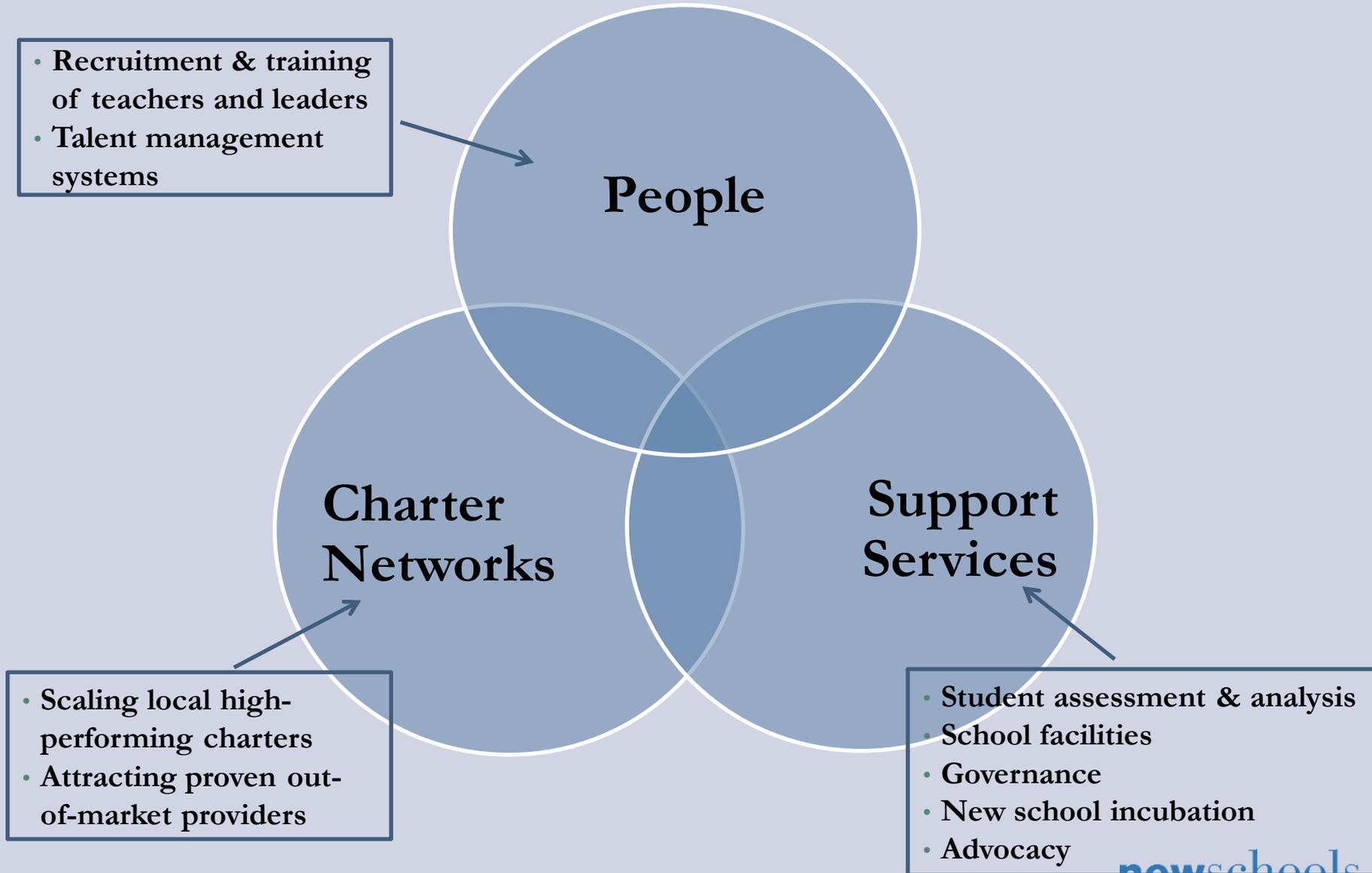
NewSchools' City Fund Markets



City Funds Theory of Action

- ▶ **Pool, Leverage and Coordinate National & Local Philanthropy**
- ▶ **Invest in Early Stage Entrepreneurial Ventures to Strengthen and Grow the Charter Sector**
- ▶ **Develop a Sustainable, Supportive Ecosystem**
 - Infrastructure of high-impact school support organizations
 - Harbormaster(s) to steer the sector and mobilize resources
- ▶ **Participate in the Leadership of the Charter Sector, with a Focus on Quality and Accountability**
- ▶ **Help to Create Leverage for Broader Reform**

City Funds Investment Areas



Optimal Market Conditions

- ▶ **Mid-sized urban center (35,000 - 100,000 students)**
- ▶ **Favorable legal/regulatory framework**
- ▶ **Adequate and equitable funding**
- ▶ **Aligned and supportive political leadership**
- ▶ **Effective authorizer, with rigorous standards for charter approval and renewal**
- ▶ **Critical mass of high-performing charter schools and entrepreneurial talent**
- ▶ **Strong charter brand (i.e., limited number of weak charter schools)**

Why Cities, Not States?

- ▶ Local control means system transformation occurs at the local level
- ▶ Effective investing requires deep market knowledge and relationships, which are far more difficult statewide
- ▶ Charter laws typically require school clusters with integrated feeder patterns to be located in the same municipality
- ▶ Early stage ventures benefit from growing within a single market
- ▶ Entrepreneurial ventures benefit from being clustered closely together

- ▶ ***BUT***...strategic statewide/out-of-market investments may be considered under the following conditions:
 - Need for larger venture scale to ensure sustainability
 - Need to establish a presence in other markets to build essential political support

Why *Mid-Size* Cities?

Small Enough to Change, Big Enough to Matter

▶ Why Not Large Cities?

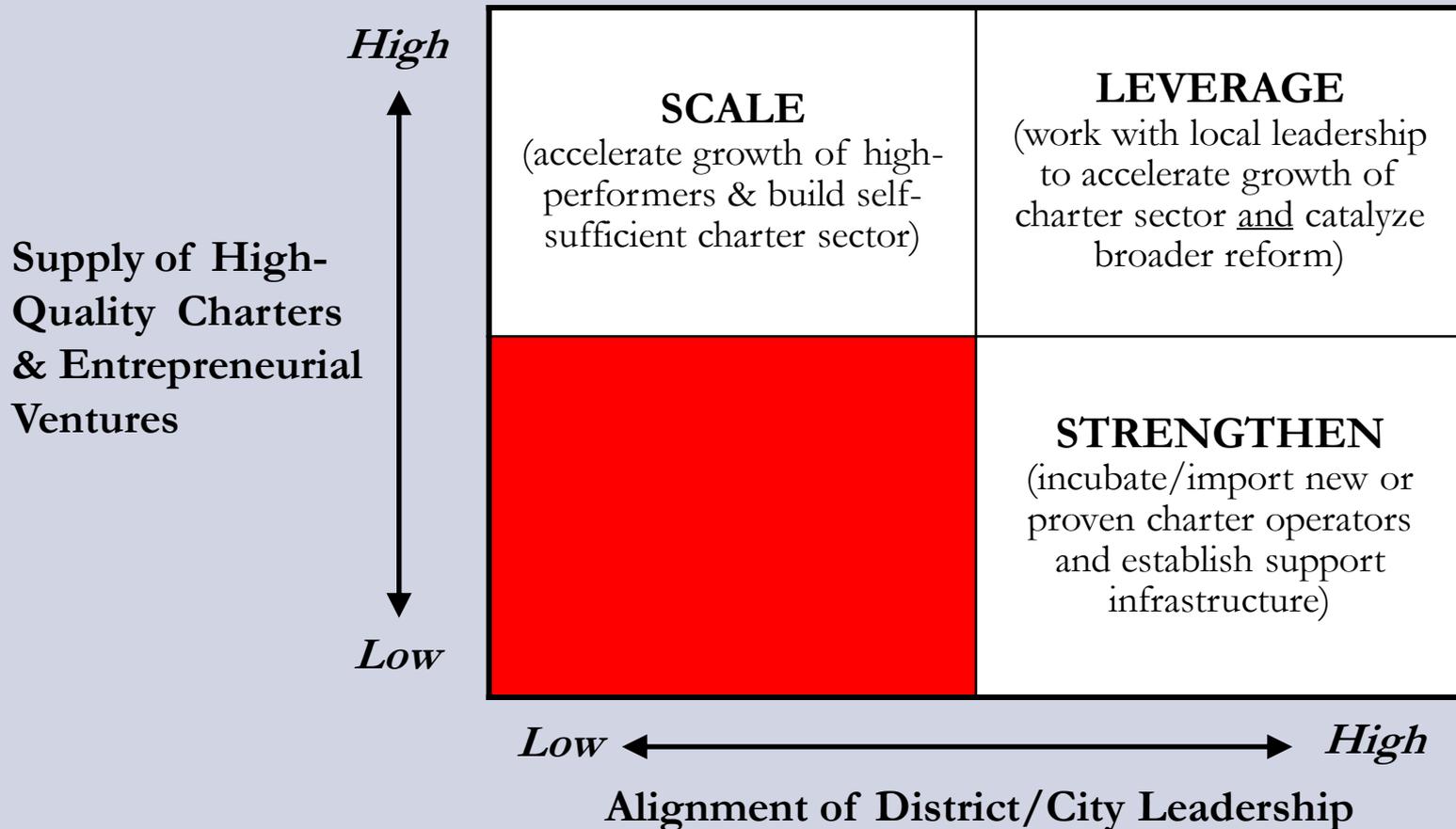
- Too big to change with a small share of charters and entrepreneurs
- Too dependent on truly transformational leaders (which is not sustainable)

▶ Why Not Small Cities?

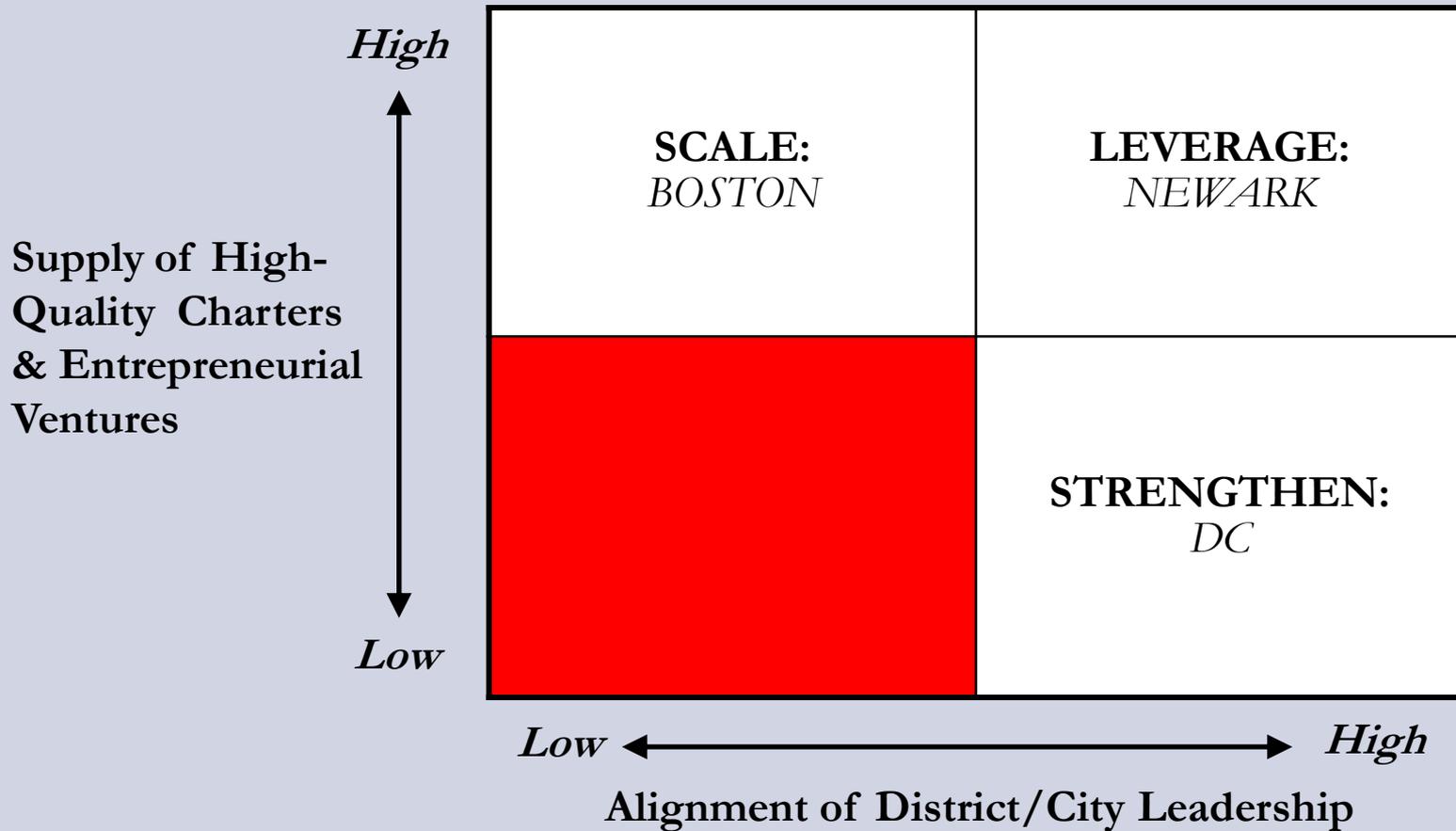
- Not big enough to attract a critical mass of entrepreneurial talent
- Not big enough to serve as high-impact proof points

Market Strategies for City Funds

CO-OPETITION: NewSchools' overall strategy is to build scalable, sustainable entrepreneurial ventures that can both collaborate and compete with school districts, in order to maximize their impact on system transformation. The mixture of collaboration and competition depends on the specific local circumstances and can change over time.



Market Strategies for City Funds



Individual Fund Strategies

- ▶ **DC Schools Fund – strengthen charter sector by:**
 - Increasing the number of high-performing charter schools
 - Helping potential high-performers improve
 - Creating an environment of accountability for results
 - Establishing a sustainable infrastructure to drive the sector to higher levels of achievement in the future
- ▶ **Boston Charter School Replication Fund – scale high-performing charter schools by:**
 - Providing growth capital to emerging charter networks
 - Addressing key barriers to growth (e.g., human capital and facilities)
 - Coordinating policy and communications on behalf of the Boston replicators
- ▶ **Newark Fund – leverage charter sector for systemic change by:**
 - Providing growth capital to high-performing charter schools and CMOs
 - Supporting the incubation and launch of new schools
 - Align investment plan with city-wide reform strategy and other major funders

Lessons Learned

Through our experience in DC and New Orleans, and based on our observations of city funds in New York, Chicago and Newark, we've identified the following lessons that will inform our work going forward:

- ▶ **Distinctive focus on education entrepreneurs and the charter sector, to avoid dissipating resources on low-impact/“me-too” investments or creating channel conflicts with other funders**
- ▶ **Uncompromising commitment to quality first, with a priority on sustainability beyond the life of the fund**
- ▶ **Scaling what works (and addressing barriers to growth/success), rather than fixing what doesn't**
- ▶ **Humble, yet active strategic leadership, geared towards educational excellence for all, parental choice and systemic reform**
- ▶ **Large-scale, up-front, multi-year funding commitments (based on common terms) to ensure adequate capital and increase flexibility**
- ▶ **Frequent communication and close collaboration with investors**
- ▶ **Limited-life fund, to ensure a bias towards problem solving, accountability for results and strategic flexibility**