

Not Your Average PTA: Local Education Foundations and the Problems of Allowing Private Funding for Public Schools

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The tax which will be paid for [the] purpose [of education] is not more than the thousandth part of what will be paid to kings, priests and nobles who will rise up among us if we leave the people in ignorance.¹

It is no secret that taxes are the primary source of revenue for America's public schools, and it is no secret that too many American children are not receiving the quality of education that Thomas Jefferson would deem adequate to protect the future of this democratic nation. Although more money for public schools is not a panacea for our education woes, it is a significant *part* of the solution. This is why concerned parents from school districts across the United States have recently taken up the hobby of establishing Local Education Foundations (or LEFs) for the sole purpose of raising money for additional resources. Even individual philanthropists, like the anonymous donor who gave Palo Alto's Gunn High School two million dollars for a new gymnasium, and large philanthropies, like the Annenberg Foundation, which gave no less than five hundred million dollars for urban schools, have made public education the focus of their efforts. The income generated for schools by these private sources is negligible in comparison to the billions of dollars that pour into the public education system from the state and federal governments annually. However, the phenomenon of private funding for public education itself is worthy of study for two reasons. First, the revenue raising power of these organizations could significantly expand if encouraged and allowed to do so. Second, and more fundamentally, if we accept the *Brown v. Board of Education* decision that education is perhaps the most important function of state and local governments, then private philanthropists are paying for a basic function of government.² No institution is arguably as significant in the lives of each American citizen as the public education system, and it is important to consider the broad philosophical issues generated by asking and allowing private philanthropists to pay for portions of it.

Facing the cold truth that dollars are often not spent where they ought to be (whether the problem is misallocation of funds, lack of proper funds, or both), it would seem ridiculous to criticize these LEFs, which are designed to do nothing but good for children. Both the parents who typically staff these organizations and the people who contribute money to them have good and honorable intentions. The object of study in this paper is the ethical ramifications of funding education through private sources. The purpose is not to criticize the dedicated parents and school officials involved in these fundraising enterprises, and it is not to suggest that schools do not need and deserve more resources. What is at issue here is the *source* of those resources. I will discuss the state's responsibility to provide funding for an equally good education for each and all of its young citizens, and how private

donations, while well-intentioned, obscure this responsibility. Further, the LEF solution to the problem of inadequate funding could very well delay the time when the state will own up to this responsibility, meanwhile exacerbating the already-existing inequalities among school districts.

In order to examine the philosophical issues involved in allowing private philanthropists to pay for public resources, in this instance public education, I sought to consult data illustrating the resources available to LEFs and how widespread the LEF phenomenon is in the United States. My research into this topic revealed that there exist no comprehensive studies of what precisely it is that these organizations *do*, let alone manage to *raise*. Any information about how many of these organizations there are, how they fundraise, and what they use those funds to pay for is not compiled in any centralized source. I decided to focus on school districts in the Bay Area for the simple reasons that I have more immediate access to these schools than I do to others, and more importantly, because of the large sources of potential donations that schools in the Silicon Valley have due to the newly generated wealth in the region. I solicited I.R.S. 990 forms (federal tax documents for non-profit organizations that register income and expenditure on a yearly basis) from over sixty LEFs in the nine-county Bay Area region. I present this information to demonstrate the current impact of LEF fundraising, and at what rate that impact is growing. The information that I have gathered is only a small sample and my findings are too incomplete to warrant anything but tentative conclusions. However, I do think the trends visible in this data are enough to merit the following discussion, since *my purpose is primarily to consider the role these organizations have in the first place, regardless of how significant the impact.*

WHAT ARE LEFs?

LEFs are small, usually parent-run, non-profit organizations that are affiliated with individual school districts (and sometimes single schools). Each LEF has a different mission, but they all have one thing in common, which is their desire to supplement income from the federal, state, and municipal government to pay for educational services and material and human resources. These organizations are not responsible to any oversight agency like local Parent Teacher Associations (PTA) are, and they often pay for education *essentials* (whereas PTAs raise small sums for particular extras like field trips and costumes). The only real regulation of the activities of these foundations is their obligation to file non-profit tax exemption reports with the Internal Revenue Service, and these documents do not provide a detailed outline of how, exactly, LEFs spend their money.

Although the first LEFs were created to benefit urban school districts, more recently, smaller and historically more privileged schools have been creating such foundations to supply their own schools with resources such as art supplies, musical instruments, sports equipment, and not uncommonly, teachers for these extracurricular activities. These foundations fund student scholarships, technology in the classroom, and even capital improvements. The Berkeley High School Development Group, for example, contributes to visual and performing arts programs along with math, history, and ESL programs, and even school security.³ Privately raised

funds were used to pay for a librarian at Palo Alto's Duveneck Elementary.⁴ Unlike your usual PTA, the income of these organizations can be quite large and the money can be used for almost anything, not simply little extras.

LEFs AND FUNDING SOURCES FOR PUBLIC EDUCATION

The giving of money to public education is not something easily criticized. Indeed, it would be difficult to be *against* giving money to school children. After all, more money means more resources, and although more resources do not guarantee a solution to the inadequacies of the public education system, more money certainly can not *hurt*. However, it is important to look at the *relative* impact of this money. All public schools are not created equal. Localized revenue-raising methods result in different levels of per-pupil funding for every single school district in the United States. These methods include property taxes, title money from the federal government, bond issues and parcel taxes, lottery revenue, and other miscellaneous taxes and donations.⁵ State taxes (mostly personal income taxes, corporate taxes, and sales taxes) are the primary source of revenue in California, amounting to over sixty percent of the total.

Where do LEFs fit in to this picture? Local Education Foundations raise money to supplement those revenues. (In some cases, LEF money is actually accounted for in the school budget, like in the already wealthy Los Altos School District, which counts foundation money as three percent of annual revenue).⁶ Regardless of whether most schools in fact count the LEF income in their budgets, it is a source of revenue used to pay for significant educational tools. The discrepancies among the amounts of money raised for school districts via public means (taxation) are nothing in comparison to the discrepancies among the amounts of money different LEFs raise. (Refer to the two charts at the end of this essay).

The amount that these organizations raise varies from a few thousand to a couple million dollars a year. If the difference in absolute dollars is not enough to demonstrate fully the variance with which these organizations raise money, consider also the amount raised on a "per-pupil" basis. This statistic does not represent the amount each parent donates or how much LEF money is actually spent on each student each year (often LEF money is given to schools in the form of grants to specific teachers or for specific supplies). What it does illustrate, however, is just how much more money could be invested in each child in that district (or some cases school) than in others with less successful LEFs (or no LEF at all!).

Even from the brief discussion above, one can begin to comprehend the disparities in school funding. Considering the inequities in the funding for schools raised publicly between different states and different districts within those states, any inequalities created by private fundraising is not a problem unique to LEFs. One might even argue that LEFs are an efficient way to overcome inequalities between districts. However, there is much more at stake here than at first may appear. Issues of inequality warrant further discussion, but there are other, more fundamental, philosophical issues that also need to be addressed. What follows is a discussion of what I believe to be the particular inequalities that result from encouraging LEF fundraising. Furthermore, I also discuss the deeper problem that the growing

influence of LEFs delays the community's and state's direct confrontation with their responsibility to provide a good and equitable education for all students.

LEFs AND SCHOOL INEQUALITY

Considering the inequalities among schools that result from the complicated, locally-controlled finance system, it seems like a great idea to establish tax-exempt organizations to raise money for schools that are at the bottom of the barrel. Far from causing problems, LEFs appear to be a practical solution to the real problem of inequality. Yet LEFs can never fulfill this function. So long as it is acceptable and encouraged to have LEFs for large, urban, under-funded school districts, it will likewise be acceptable to have LEFs for all other districts. Hence, even if LEFs could supplement the incomes of less-well-off districts enough to bring them up to levels of better-off districts, the better-off districts will be constantly becoming even *better* off thanks to their LEFs, making it impossible for the less-well-off districts to ever actually catch up.⁷ The only way to avoid this is for the less-well-off districts to raise *more* money than their wealthy counterparts. However, the data presented in both charts demonstrate how this is not a likely possibility. The schools with the most successful LEFs are among the best, wealthiest schools in the Bay Area. One of the main reasons districts are under-funded in the status quo is because the local community is not wealthy enough to fund the schools in the first place, and so the creation of non-profits to raise money from that community will not yield much in the way of results.

What is perhaps more interesting is looking at precisely which districts have LEFs and which ones do not. From my research thus far, the districts with LEFs on this chart fall into two categories with one thing in common. The first group consists of those districts that draw from wealthy, privileged communities. The second group consists of those districts that are large, urban, and historically under-achieving. What do these two groups of school districts have in common? For the most part, both of these groups of districts have above-average per-pupil expenditure rates. In California, the per-pupil expenditure rate is approximately Five Thousand Seven Hundred dollars.⁸ (However, the wealthier districts have more money because it is easier for them to raise large sums in local revenue, the urban districts have more resources because of efforts by the state and federal governments to boost student performance to get urban students on par with the wealthy ones). What is missing here are those schools with average or below-average per-pupil expenditure rates. These schools do not even *have* LEFs to help them supplement public income. Hence, I would assert that those schools with foundations that raise the most money are precisely those districts that, relatively speaking, are not the ones that need them. In a society in which we believe that the purpose of public education is to create equality of opportunity, such concerns about equity among schools should not be ignored.

It is possible, of course, to imagine a world in which LEFs could be regulated in such a way that they *were* aiding those districts that need it most. This brings me to the fundamental issue, which is that LEFs are not a *good* solution to school financing problems. Indeed, LEFs are mere Band-Aids that mask the real problems,

which are twofold. The first problem is that the state and district community does not support education in the way required by the democratic values of equality of opportunity and civic responsibility. The other problem is that the government is not adequately fulfilling its responsibility to provide the service of education. Consider the underlying question: America has a public education system, so why must it be supported by private funds? Even if private donations could improve all schools equally and make equal the schools they were improving (which I believe the above discussion has demonstrated they do not), why should this be necessary? The Indiana Center on Philanthropy states, "Every culture depends on philanthropy and nonprofit organizations to provide essential elements of a civil society."⁹ Why? And should we? A civil government's purpose is to ensure that elements that are essential to the functioning and flourishing of a society are provided for by the means of public, not private, support.

Before we can address this issue further, we must understand the distinction between what is meant here as "public" and "private." Education and other essential elements of civil society are public goods. They are necessary to ensure the existence and flourishing of our society. Paying for public goods with public funds (taxes) guarantees that all people are held equally responsible for providing these goods in the name of the general welfare. As citizens, we recognize that we all have a responsibility to provide for public goods, so each private citizen pays taxes in the amount that is publicly agreed upon, and then those tax dollars enter the public domain. Thus, "public" indicates something that is equally accessible to and equally the responsibility of all citizens. "Private" indicates something that is at an individual citizen's discretion. For the purposes of this discussion, I assume what I take to be uncontroversial, namely that education is a public good, since a certain amount of education is necessary if people are going to learn the skills necessary to participate in and preserve this society. It would be nice if a few wealthy citizens could provide for public goods, but it is not our right to expect and demand it from them. Moreover, since the good is essential, *all* people ought to support it to the *full means necessary* to make it good. If we agree upon a certain level of taxes for a certain good, that ought to be because such is the amount it is worth to us, and such is the amount it costs to attain the desired goal. If the result is falling short of expectations, a *public* solution should be found, since it is a *public* problem.

Since education is funded publicly, the public must support it not just for private interests, but as a public good. Citizens of a liberal democracy should understand that like national defense, the post office, and highways, education is a necessary part of the process of sustaining democratic life. Since it is necessary to educate the public to make children into able future citizens, it is justifiable to tax adults to pay for this education. It is an investment in the future stability and prosperity of the country. I leave the defense of this argument to Thomas Jefferson, John Dewey, Amy Gutmann, and the other education theorists who have explained this far more eloquently than I can.

Recognizing that public education is necessary to democratic citizenship and the perpetuation of the state, then, it should not be allowable for it only *partly* to

succeed. LEFs, which collect donations from concerned individuals, are only necessary in so far as the entire community does not agree it is necessary to increase funds available to schools. If schools are not meeting the standards we, as a democratic community, desire, it is our responsibility to increase our (financial) support for those standards. While it may appear that interested private philanthropists are willing to help our schools now, this is never going to be a permanent solution.¹⁰

LEFs represent a privatization of our public school system that should trouble the democratically minded citizen. Allowing citizens to contribute money to their own, specific, schools as opposed to the whole public education system undermines the “publicness” of the system. It is, and always ought to be, an option for parents to send their children to private school. A core mission of public schools, however, is to forward equality of opportunity. All public schools should be able to provide an equally good education for each of its students. As Gutmann explains, “A democratic society is responsible for educating not just some but all children for citizenship.”¹¹ This indicates that there should be some level of equality in the education received. Since education is a public good that we are all responsible for, then it should concern us what sort of education *all* of our future citizens are receiving. As well-intentioned individual philanthropists donate money to their local LEF to benefit only their own children and their own local schools, the notion that every child needs and deserves a good education begins to fall by the wayside, and along with it, the equality of opportunity for students with less fortunate parents.

One might argue that if parents could not donate directly to their school, then they would not bother to donate at all, thus depriving at least some students of better opportunities. However, this would only be symptomatic of the real concern, which again is the fact that people are only willing to pay for what they think will benefit *them* directly. Education is not this kind of luxury. One might further argue that education is therefore *not a public good*, but indeed is a *private* one designed to help individuals, and it is unreasonable to require people think beyond their individual interests to pay for the general education of the entire nation. However, this is an untenable position. The origins of the public school system are found in their civic function, and viewing education as a private good would remove any compelling justification for providing public funding at all (a different discussion altogether).

Taxpayers should contribute their fair share of the necessary amount for the *entire* service, and the government will be obliged to provide it. Our responsibility as citizens is to support (relatively) equally, those efforts that the government (the collective voice of the people) deems necessary and beneficial for everyone in the nation. The government’s responsibility is to provide for equality in education *effectively*. LEFs compromise this duty in a somewhat unique way from other forms of donations, since LEF money is not an unexpected gift or emergency aid. It is a new and unregulated part of the fiscal process. This effectively serves as another source of revenue beyond the federal and state government, and easily could be considered a replacement for the latter sources if state legislators take notice of the increase in donations. It prevents the state from needing to take responsibility for

education in the long term. So long as LEFs increase their revenue at the rate they have been, states will have an excuse to under-fund education. States cannot be allowed — and encouraged — to shirk their responsibility to provide a *good* education.

THE FUNCTION OF PHILANTHROPY IN A LIBERAL DEMOCRACY

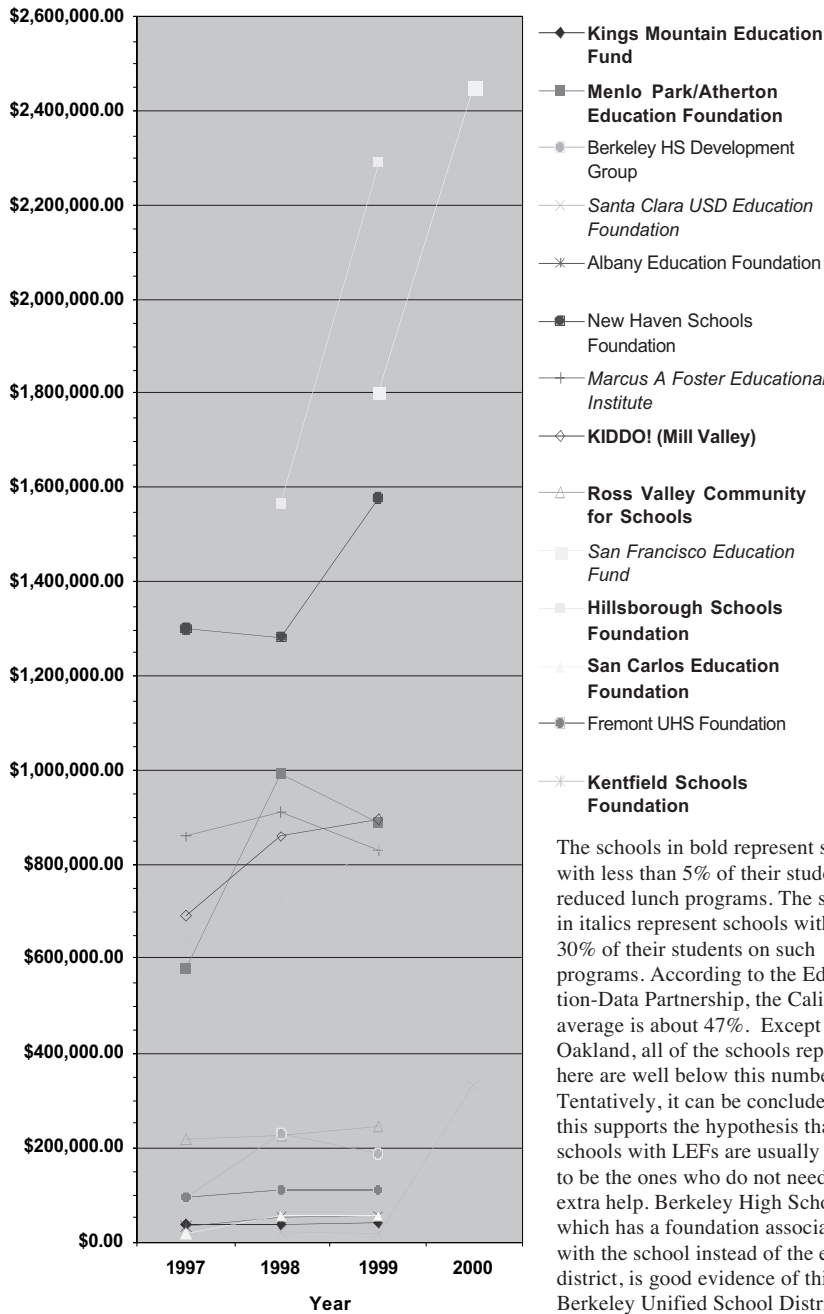
Very little has been written on the subject of the place of private philanthropy in providing the basic social service of education. What has been written is unpersuasive. Baruch Brody, for instance, argues that private philanthropy is a reasonable resource to use for providing for public goods. He states, “if we adopt the assumption [that some goods must be provided by public support] about the role of the state, we have a powerful reason for the state’s providing education...and not relying upon private philanthropy to do its job.”¹² Brody answers this by explaining that the reason the state does not provide fully for the good is because of an “unwillingness to raise tax funds” or “a failure to understand that these are services that the state needs to provide,” and so this “gap” in funding between what money is necessary and what is available must be filled by private philanthropy. However, this completely ignores that the state may not have the right to be unwilling to raise taxes or to misunderstand its obligations to provide the service. These are shortcomings of the operations of the government. It may be true, as Brody explains, that “democratic decision making often fails to produce optimal results.”¹³ I submit that this is hardly something to which we should acquiesce. It may be difficult to achieve optimal results, but that very well ought to be our *aim*, and if the system is good (as I think democratically-minded people would agree it is), then it must be *possible*. A mere shrugging of our shoulders to the inadequacies of our political system is not a philosophically sound justification for asking philanthropists to do the state’s job. Simply because the justice system does not manage to capture and convict all criminals does not mean that citizens should start taking the law into their own hands. Likewise, simply because the state (the collective voice of the people) has not done a good enough job promoting the importance of education to individual members of the voting community, allocating tax dollars effectively, or otherwise meeting the goals set for education does not mean private citizens should be asked and encouraged to do so. In both instances, the real solution is to try harder to translate our ideals into practice. Allowing private citizens to do the work by themselves will only allow the state to *continue not to try*.

Either the state funds education adequately in the status quo or it does not. If it does, then LEFs should not be necessary. If it does not, then it should, and the system should not be allowed to let citizens continually pick up the slack. The goal here is not to force those schools that would be good down to the lowest common denominator. Far from it. The goal is to render LEFs and the like completely unnecessary by improving the quality of education for all students. The efforts of LEFs and other private philanthropists are well-intentioned and appreciated. Further, I do not mean to suggest that private philanthropy can never find a place in public education, or any public program, for that matter. The problem is that an unintended consequence of privately supporting under-funded education programs is that such efforts allow the state to procrastinate taking responsibility for itself and

the taxes it collects (and this assumes that the programs are under-funded, which it not true of most of the schools LEFs actually support, anyway). Assuming that education is a public good that all future citizens have an obligation to obtain and a right to receive, it is only right that an enduring public solution be found to providing it.

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1. *Thomas Jefferson to George Wythe, 1786.*
 2. *Brown v. Board of Education.*
 3. "BHSDG Income Statement," *Berkeley HSDG Annual Gazette* (Fall 2000): 4.
 4. Charlie Breitrose, "Beyond Bake Sales," *Palo Alto Weekly News*, 15 Dec 1999, online ed.
 5. "School Finance Overview," EdSource <http://www.edsource.org/edu_fin.cfm>. Accessed Summer 2001.
 6. "How We are Funded?" Los Altos School District, Available at <http://www.losaltos.k12.ca.us/fin_funded.htm#top>. Accessed Fall 2001.
 7. Considering that large philanthropies like the Annenberg Foundation target underprivileged schools with large sums that could never realistically be raised by local communities, it might seem that my assertion that privileged schools will always be ahead is simply false. However, large philanthropic grants are usually targeted at new and innovative solutions, not paying for basic educational services like LEFs do.
 8. "Expenditures Per Pupil: California and the U.S." Education Data Partnership. Available at <<http://www.ed-data.k12.ca.us/dev/snapshot3.asp>>. Accessed Fall 2001.
 9. "Philanthropy," The Center on Philanthropy at Indiana University, Available at <<http://www.philanthropy.iupui.edu/index.htm>>. Accessed Summer 2001.
 10. Greg Winter, "Private Schools Look Beyond the Bake Sale." *The New York Times*, 7 Oct. 2002. Since I concluded my initial research in this area, *The New York Times* reported a decrease in LEF donations nationwide. I think this demonstrates the unpredictability of private funding for public schools. However, I would like to point out that this decrease, and any future decreases, does not solve the worry that I identify below about states shirking their duties because of increases in LEF money. Rather, I think that states, much like New York is doing as reported by the *Times*, will continue actively to encourage private donations. This means that not only will states search for alternatives to public funding sources, but that these sources will donate surprising and perhaps disappointing amounts. This is doubly bad for schools.
 11. Amy Gutmann, *Democratic Education*. (Princeton, N.J.: Princeton University Press, 1987), 13.
 12. Baruch Brody, "The Role of Private Philanthropy in a Free and Democratic State," in *Beneficence, Philanthropy, and the Public Good*, ed. Ellen Frankel Paul, et al. (Oxford: Basil Blackwell, 1987), 81.
 13. *Ibid.*, 84.

Chart A. LEF Revenue



The schools in bold represent schools with less than 5% of their students on reduced lunch programs. The schools in italics represent schools with above 30% of their students on such programs. According to the Education-Data Partnership, the California average is about 47%. Except for Oakland, all of the schools represented here are well below this number. Tentatively, it can be concluded that this supports the hypothesis that the schools with LEFs are usually going to be the ones who do not need the extra help. Berkeley High School, which has a foundation associated just with the school instead of the entire district, is good evidence of this. The Berkeley Unified School District has 33% of its students on a reduced price lunch program, while only 13% of the students at Berkeley High School are on the program.

CHART B. *District versus LEF Revenues*

The information contained below is only a small sample of Bay Area LEFs. The number of students, Per Pupil Expenditure, and District Revenue information is from EdData, an online database of educational statistics. The LEF Revenue is taken from IRS 990 forms. The LEF Per Pupil Expenditure represents how much money each LEF has available to spend on each student. However, it is not calculated in the same way as District Per Pupil Expenditure (which is based on how much money is required to educate each student) since LEFs often use their money to pay for teacher grants and supplies and capital improvements (which do not necessarily represent costs of individual students).

District	# of Students 1999	Per Pupil Expenditure 1998	District Revenue 1999	LEF Total Revenue 1999	LEF Per Pupil Expenditure 1999
<i>Albany City Unified</i>	2,884	\$6,150	\$18,788,501	\$54,766	\$19
<i>New Haven Unified</i>	13,891	\$5,650	\$80,509,127	\$1,580,387	\$114
<i>Oakland Unified</i>	55,051	\$6,300	\$370,628,191	\$831,362	\$15
<i>Mill Valley Elementary</i>	2,351	\$7,150	\$16,757,416	\$896,303	\$381
<i>Ross Valley Elementary</i>	1,777	\$6,550	\$2,635,302	\$243,094	\$137
<i>San Francisco Unified</i>	60,896	\$7,500	\$389,057,385	\$1,804,573	\$30
<i>Hillsborough City Unified</i>	1,374	\$7,550	\$11,737,231	\$2,290,578	\$1,667
<i>San Carlos Elementary</i>	2,698	\$4,950	\$19,136,402	\$53,951	\$20
<i>Santa Clara Unified</i>	14,587	\$5,800	\$88,921,909	\$17,006	\$2
<i>Berkeley High*</i>	3,315	\$7,300	N/A	\$185,170	\$56
<i>Menlo-Atherton*</i>	1,903	\$6,950	N/A	\$890,304	\$468
<i>Fremont Union High</i>	9,005	\$6,500	\$59,696,502	\$107,995	\$12
<i>Kentfield Elementary</i>	1,099	\$6,750	\$7,654,116	\$893,308	\$813

*BHSDG and Menlo-Atherton are associated with just the high schools, not the entire districts.