Children's Scholarship Fund

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BIOGRAPHY

THEODORE J. FORSTMANN

Chairman and Chief Executive Officer
Founding Board Member
Children's Scholarship Fund

Theodore J. Forstmann is co-founder and senior partner of the private investment firm, Forstmann Little & Co., and he is a champion of expanding educational and economic opportunity.

In the past two decades, Forstmann Little has compiled a well-recognized record of performance, pioneering the leveraged buy-out and investing nearly $15 billion in 23 acquisitions. The firm's acquisitions include Gulfstream, the premier business jet manufacturer, for which Forstmann serves as chairman and chief executive officer; Community Health Systems on which he serves on the board of directors; General Instrument; Ziff-Davis Publishing; Yankee Candle; Dr Pepper and Topps. The firm has approximately $4 billion in committed capital for future acquisitions.

In addition to his professional work, Mr. Forstmann has long been committed to numerous philanthropic causes helping children. His understanding of the importance of equal educational opportunity began with his involvement in the Big Brothers program over twenty years ago when he started mentoring a ten-year-old boy with whom he remains close to this day. His interest in education led to his involvement in the New York Inner City Scholarship Fund. For the last ten years, he has been an active board member and major contributor to the fund, a program founded by the New York Archdiocese to provide scholarships to low-income children.

In 1997, he continued his efforts to expand educational opportunities for children. As chairman of the Washington Scholarship Fund (WSF), Mr. Forstmann funded 1,000 scholarships to provide low-income families in the District of Columbia with the opportunity to choose their children's schools. Nearly 8,000 applications were received in the first two months of the program.

The tremendous response to the WSF inspired Mr. Forstmann to join John Walton of Wal-Mart Stores, Inc. in pledging $100 million of their own money to launch the Children's Scholarship Fund (CSF), a program to help low-income children gain access to the private and parochial schools of their choice. On April 21, 1999, CSF will award more than $160 million in scholarship assistance to more than 40,000 low-income children across the country.

While Forstmann actively oversees the growth of the CSF, he also plays a role in organizations dedicated to improving the lives of kids overseas. As a director of the International Rescue Committee, he has made several trips to Bosnia where he established a medical program for war-injured children. As a major contributor and the only non-South African trustee of the Nelson Mandela Children's Fund, he has worked to relieve the plight of South Africa's street children by providing education, shelter and medical care. Through this experience, he has financially adopted and looks after two young boys, Everest and Siya, who have become a significant part of his life.

Here at home, he co-founded two camps for chronically ill children. His contribution to the Benedict-Forstmann Silver Lining Ranch, a camp started by tennis pro Andrea Jaeger for terminally ill children, allowed for the construction of a permanent, year-round facility in Aspen, Colorado, which will open in June 1999. He also joined Paul Newman in establishing the Boggy Creek Gang Camp in Florida for children with cancer and other life-threatening illnesses.

As a way of raising funds and visibility for children's charities, Mr. Forstmann and two of his brothers established the Huggy Bear Invitational Tennis Tournament in 1984, a pro-am event which raises over a million dollars annually for a variety of children's charities.

Mr. Forstmann, 59, is a graduate of Yale University and the Columbia School of Law. He has also received honorary doctorate degrees in jurisprudence from Siena College and Pepperdine University.

BIOGRAPHY

JOHN T. WALTON

Founding Board Member
Children's Scholarship Fund

John T. Walton is an investor in privately-held companies involved in global positioning satellite applications, high-speed data transmission, innovative fiberglass technologies, and cancer research.

Mr. Walton also serves on the boards of several non-profit organizations, including the Walton Family Foundation, with a focus on scholarships and assisting public school improvement, and the Children's Educational Opportunity Foundation, which provides matching funds to empower low-income families in the selection of the public or private schools best suited to their children's needs. Mr. Walton also serves on the board of the New American Schools Development Corporation, a non-profit organization that develops new educational "delivery models" for public school use, and is chairman of School Futures Research, an organization that develops and operates charter public schools based in San Diego, California.

Mr. Walton is a major supporter of the Washington Scholarship Fund, which provides scholarships to help low-income families send their children to private or parochial schools, and is also a major donor of a similar program in Los Angeles.

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SCHOLARSHIP DISTRIBUTION

Program	Number of Scholarships Awarded	Number of Applicants	Average Family Income
National Market	**5,000**	**502,008**	**$24,535.47**
Arkansas (entire state)	1,250	12,210	$22,849.45
Atlanta, GA	380	13,798	$20,488.28
Baltimore, MD	500	20,145	$21,450.91
Baton Rouge, LA	250	5,568	$17,911.92
Bay Area, CA	1,200	6,890	n/a
Birmingham, AL	375	9,172	$19,155.29
Boston, MA	325	11,795	$22,651.73
Buffalo, NY	500	5,618	$20,526.52
Charlotte, NC	750	6,107	$22,671.57
Chattanooga, TN	500	2,910	$21,732.12
Chicago, IL	2,500	59,186	$20,429.15
Cincinnati, OH	500	12,468	$22,691.20
Dallas, TX	900	17,761	$23,133.76
Dayton, OH	750	5,824	$22,897.97
Fort Worth, TX	400	9,338	$23,254.33
Houston, TX	250	19,187	$22,550.18
Indianapolis, IN	500	4,637	$20,087.19
Jackson, MS	325	4,698	$20,112.59
Jersey City/Elizabeth, NJ	400	6,506	$22,128.42
Kansas City, KS & MO	1,250	11,531	$22,558.31
Los Angeles, CA	3,750	54,444	$18,870.10
Memphis, TN	750	9,211	$20,282.46
Miami, FL	625	27,098	$22,034.85
Michigan (entire state)	3,750	59,202	$22,111.79
Minneapolis/St. Paul, MN	1,000	4,541	n/a
New Hampshire (entire state)	250	3,086	$28,770.87
New Orleans, LA	1,500	29,152	$17,860.43
New York, NY	2,500	168,184	$19,495.81
Newark, NJ	1,000	9,018	$20,902.14
Omaha, NE	500	3,584	$24,621.52
Philadelphia, PA	1,500	41,054	$19,984.68
Phoenix/Tucson, AZ	320	12,637	$23,753.56
Pittsburgh, PA	500	10,308	$22,829.73
Portland, OR	500	6,639	$25,831.53
St. Louis, MO	500	9,686	$20,496.09
Savannah, GA	250	4,015	$20,694.16
Seattle/Tacoma, WA	250	8,259	$25,111.61
Tampa/St. Petersburg, FL	750	12,509	$22,163.89
Toledo, OH	500	6,606	$23,225.90
Washington, DC	500	10,770	$19,999.26
Total	**40,000**	**1,237,360**	**$21,812.99**

7 West 57th Street ♦ New York, NY 10019 ♦ www.scholarshipfund.org

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ANALYSIS OF SCHOLARSHIP APPLICANTS AND RECIPIENTS IN SELECTED COMMUNITIES

Program	Number of Scholarships	Number of Applicants	Estimated Eligible Population	Percent of Eligible Population Who Applied	Average Family Income
Baltimore, MD	500	20,145	46,011	44%	$21,450.91
Philadelphia, PA	1,500	41,054	123,645	33%	$19,984.68
Washington, DC	500	10,770	32,658	33%	$19,999.26
St. Louis, MO	500	9,686	30,722	32%	$20,496.09
Newark, NJ	1,000	9,018	29,392	31%	$20,902.14
New York, NY	2,500	168,184	587,092	29%	$19,495.81
New Orleans, LA	1,500	29,152	103,843	28%	$17,860.43
Atlanta, GA	380	13,798	52,250	26%	$20,488.28
Chicago, IL	2,500	59,186	225,243	26%	$20,429.15
Savannah, GA	250	4,015	18,040	22%	$20,694.16
Jersey City/ Elizabeth, NJ	400	6,506	29,360	22%	$22,128.42
Boston, MA	325	11,795	53,608	22%	$22,651.73
Baton Rouge, LA	250	5,568	28,311	20%	$17,911.92
Buffalo, NY	500	5,618	29,112	19%	$20,526.52
Los Angeles, CA	3,750	54,444	301,482	18%	$18,870.10
Indianapolis, IN	500	4,637	26,403	18%	$20,087.19
Miami, FL	625	27,098	159,395	17%	$22,034.85
Seattle/Tacoma, WA	250	8,259	50,909	16%	$25,111.61
Dayton, OH	750	5,824	37,279	16%	$22,89[illegible]97
Charlotte, NC	750	6,107	40,467	15%	$22,671.57

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NATIONAL BOARD OF ADVISORS

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PRESS RELEASE

For Immediate Release

Contact: 1.888.332.8992

1.25 MILLION LOW-INCOME CHILDREN APPLY FOR 40,000 SCHOLARSHIPS TO ATTEND K-8 SCHOOL OF CHOICE

FAMILIES FROM 90% OF U.S. COUNTIES APPLIED

Evidence of Need to Expand Opportunity & Choice, CSF's Forstmann Says

NEW YORK, NY, April 21, 1999 — In the largest private scholarship program ever, the Children's Scholarship Fund (CSF) today awarded 40,000 four-year, partial scholarships to help low-income children in grades K–8 attend the school of their choice. In a National Lottery Day event, CSF Chairman Ted Forstmann congratulated winners in all 50 states and nearly 3,000 cities.

Demand for CSF scholarships was overwhelming. There were in total: 1.25 million applicants — 30 for every one scholarship. Families had to be low-income to apply (average income was less than $22,000) and pay to supplement the partial scholarships.

- Applications were received from all 50 states and over 22,000 communities reflecting 90% of all counties nationwide.
- In many cities, huge blocs of the eligible population applied: 26% in Chicago; 29% in New York; 33% in Washington, D.C.; 44% in Baltimore.
- Families applied by mail, fax, e-mail — on the last day before deadline, 50,000 applications were received by fax alone.

"The old debate is over," said Forstmann. "These families have ended it. In anybody's book this is a thunderous demonstration of dissatisfaction with the present system — and of the demand for alternatives."

Winning families from around the country joined Forstmann at the New York Public Library, while a simultaneous, satellite-connected event was hosted in Los Angeles by Michael Ovitz, the Los Angeles CSF chairman and a national board member, and fellow national Board Members Eli Broad and Ronald Burkle. Meanwhile 40 local events were held across the country in cities ranging from New Orleans, Detroit, Seattle and Tampa.

The scholarships total more than $160 million. The parents of scholarship recipients will choose the schools their children will attend, with CSF making payments directly to each institution. The average scholarship will be $1,100. The average parental contribution will be $1,000.

Forstmann appealed to "the moral middle of America," asking "all those of open minds to see through the eyes of our applicants. Once you do, you will clearly see that the distinction that really matters to them is between a good education and a bad education. It's time to help parents seek a good education wherever it can be found."

"More options for parents will mean more competition in education. Competition will be good for parents, for teachers, and for any school that can deliver quality," said Forstmann. He stressed that CSF is in favor of competition, but does not promote one reform over another.

Andrew Young who is a member of the National Board of Advisors and helped host the event in New York added, "Every movement I've been a part of has started out as controversial and unpopular — and this will be no exception. But the parents of 1.25 million children have taken their stand, and I take mine with them. It's time to give low-income families the freedom to try things that are different," he said.

Forstmann and John Walton launched CSF in June 1998 by contributing $100 million and raised additional matching funds from around the country. In less than a year, CSF attracted diverse and bipartisan support. National board of advisors include Erskine Bowles, Will Smith, Barbara Bush, Henry Cisneros, Senator Tom Daschle, Martin Luther King III, Colin Powell, Peter Lynch, Senator Daniel Patrick Moynihan and Pat Riley.

–more –

In addition, the organization recruited the support of celebrities for a communications campaign to spread the word about this opportunity. Entertainer Will Smith, home-run slugger Sammy Sosa, poet Maya Angelou, Spanish talk-show host Cristina and many others taped public service announcements. Seven major networks — Fox, Univision, BET, MTV Networks, UPN, NBC and ABC — donated air time for the PSAs. Forstmann also appeared on the Oprah Winfrey show to announce the opportunity for kids to apply from anywhere around the country.

Satellite Coordinates for Video News Release (VNR)

Wednesday, April 21, 2:30 – 3:00 PM ET: Galaxy 6 (C-Band)/Transponder 5

Wednesday, April 21, 4:00 – 4:30 PM ET: Galaxy 6 (C-Band)/Transponder 11

Thursday, April 22, 10:00 – 10:30 AM ET: Telstar 4 (C-Band)/Transponder 20

Audio News Release (ANR)

An Audio News Release with specific information pertaining to communities across the country is available. To obtain a copy/feed, call 1-800-920-6397.

Webcast

There will also be a simultaneous webcasting of the NY ceremony. The event will be on CSF's web site for one week. The web site address is **www.scholarshipfund.org**

# # #

NATIONAL BOARD OF ADVISORS

The New York Times

WEDNESDAY, APRIL 21, 1999

Private School Choice Plan Draws a Million Aid-Seekers

By ANEMONA HARTOCOLLIS

A billionaire Wall Street financier who raised $170 million in scholarships to send low-income children to private schools said yesterday that more than a million families had responded to his offer, or nearly one out of every 50 schoolchildren in America.

The financier, Theodore J. Forstmann, better known for his leveraged buyouts of companies like Gulfstream Aerospace, Dr. Pepper and General Instruments, said he had turned his business savvy to helping thousands of children escape failing public schools and go to private and religious schools. But the response to his offer surprised even him, he said, and it has added fuel to the debate over efforts to use taxpayer money to send children to private schools.

Although the scholarships were open to students now enrolled in either public or private schools, the majority of applicants came from public schools, indicating a deep dissatisfaction among parents with the education their children are getting, Mr. Forstmann said. The 40,000 winners, chosen over the last few days by a computerized lottery, are to be announced today at simultaneous ceremonies in New York and Los Angeles.

In capturing public attention for his cause, Mr. Forstmann was armed with an obvious fervor, immense wealth, and a well-oiled public relations machine that generated public service announcements by the baseball star Sammy Sosa, the poet Maya Angelou and the actor Will Smith. In February, Mr. Forstmann benefited from a dollop of Oprah Winfrey, who instructed viewers to turn off their vacuum cleaners while she interviewed him. A Republican,

Continued on Page A25

Scholarships Offered by Financier

through the mail, E-mail or a toll-free telephone number.)

Chicago had the next highest number, with 59,186 applicants, or 26 percent of those eligible, Los Angeles had 54,444 applicants, or 18 percent. In Baltimore, 44 percent, or 46,011, of those eligible applied, the highest precentage in the country.

Winners were notified this week. The largest number of scholarships, 3,750, will be awarded in Los Angeles; New York and Chicago will get 2,500 each and other cities will get hundreds. The numbers reflect the amount of money donated to the program from each of those cities.

"I think at some point the public schools start to fail our children, and I think the third grade is that cutoff," said Shelitha Harrelson, a New Yorker whose daughter, Brittney Tucker, was told this week that she is one of the 40,000 winners.

Ms. Harrelson, whose name was provided by the fund, has a daughter in third grade at P.S. 279 in Canarsie, Brooklyn. She said she hoped to use her stipend to help pay the costs at Marymount, a Manhattan private school where she said tuition is $12,000 a year, or Epiphany, another school, where she said it would cost $4,000. Ms. Harrelson, an administrative coordinator at Polo Ralph Lauren and a single mother, met the income criterion of $29,295 for a family of two.

Suzanne DeChillo/The New York Times

Theodore J. Forstmann will award scholarships to 40,000 pupils.

New York City's Schools Chancellor, Rudy Crew, who threatened to resign last month when Mayor Rudolph W. Giuliani began lobbying for a government-financed voucher program, said he had no quarrel with the fund, as long as it used private money.

"I have never claimed the public school system is a perfect system," Dr. Crew said. "I think this is only natural; it's going to happen. It is a sign that there are people who want choice." Dr. Crew said he was trying to meet that demand as well with a push to create charter schools independent of the Board of Education and some union rules.

In Chicago, Paul Vallas, the chief executive of the public schools, said: "I'm all for it. Here you have people from the private sector pooling their money to help make a child's education better. How can you be against that?"

At today's ceremonies, Mr. Forstmann, Mr. Walton and Andrew Young, the civil rights leader and former ambassador to the United Nations, are to preside in New York, at the main public library, while Michael S. Ovitz, the former president of Walt Disney, Ronald W. Burkle, managing partner of the Yucaipa Companies, and Eli Broad, chairman and chief executive of Sun America Inc., are to announce the winners in Los Angeles.

Mr. Forstmann and Mr. Walton started the program, called the Children's Scholarship Fund, eight months ago by contributing $50 million each, and said they have since raised an additional $70 million from other donors around the country.

The program is the largest privately financed scholarship program in the country, Mr. Forstmann and his associates said, and also dwarfs experiments with taxpayer-financed voucher programs to send poor children to private schools in Milwaukee and Cleveland. Neither Milwaukee nor Cleveland are among the cities receiving scholarships, according to a list released yesterday.

Several members of the fund's national board of advisers, including Senator Moynihan and Representative Charles B. Rangel, Democrat of Manhattan, said they had signed on to the program because they saw it as a chance for children to attend better schools than the ones they were in, not as an attack on the public-school system.

"I'm against vouchers," Mr. Rangel said.

"I support scholarships for public schools, private schools, and any other kind of schools."

THE WALL STREET JOURNAL.

CXXXIII NO. 73 EE/WO ★ ★ ★ THURSDAY, APRIL 15, 1999 INTERNET ADDRESS: http://wsj.com

A Laudable Conservative Effort to Help Poor Kids

Politics & People

By Albert R. Hunt

Compassionate conservatism, like tight-fisted liberalism or lunch-pail Episcopalianism, is an oxymoron or political silly putty, a cliché that can be molded to almost any purpose. And then along comes Ted Forstmann.

Mr. Forstmann, the billionaire senior partner of a leveraged buyout firm, is certainly conservative. He has embraced major conservative Republican politicians, was the founding chairman of the Jack Kemp-Bill Bennett-Vin Weber think tank, Empower America, has rarely said anything good about government and espouses a less progressive tax system.

But he's a man of real compassion when it comes to kids. He personally has helped thousands of children in war-torn Bosnia, has worked tirelessly to assist street kids in South Africa – two of whom he's adopted – and co-founded two camps for chronically ill children.

Next Wednesday he's going to launch his most ambitious act of compassion, the Children's Scholarship Fund. With $50 million apiece put up by Mr. Forstmann and John Walton of the Wal-Mart fortune, and matched by $70 million of other contributions, 40,000 poor children, most of them from inner cities, will get scholarships to attend private schools.

These stipends, which build on Mr. Forstmann's program last year in Washington, D.C., for 1,002 kids, will range from $600 to $1,600 a year for students entering kindergarten through eighth grade. The scholarships will be for four years; winners will be selected by lottery. And, while Mr. Forstmann won't disclose details, there apparently was a tidal wave of applicants.

The Wall Street tycoon – with the support of more than a few bona fide liberals – wants to do nothing less than reform the entire American educational system. "Education is a monopoly today and nothing will change until that is changed," he argues. He rattles off impressive statistics about how in New York the public schools spend more than twice as much per pupil as the parochial schools but don't perform nearly as well.

There are, of course, lots of good public schools in the U.S., but precious few of them are in big cities, where the overwhelmingly African-American and Hispanic kids get shafted. These schools too often are marked by arrogant bureaucrats, incompetent teachers, inadequate facilities and kids who either drop out or aren't prepared for anything. Only 26% of urban eighth graders score above the 50th percentile nationally in reading and only 29% score that high in math.

The aim of the Children's Scholarship Fund is to stun the public school monopoly and force radical change. With more choice, Mr. Forstmann contends, rather than bureaucrats and teachers running the schools, "parents will be responsible for their kids' education."

Critics claim anything that takes resources away from public schools – taxpayer vouchers in places like Milwaukee and Cleveland or private efforts like the Forstmann-Walton initiative – is a bad idea in a country where 90% of kids are educated in the public-school system. This, the teachers unions and defenders of the status quo charge, will "cream" off the better students to private schools and reduce funding for beleaguered school systems.

Also, if money doesn't matter, as Mr. Forstmann's parochial-school example suggests, why then do the most prestigious private schools cost the most? (A $1,500 stipend won't cover much at a school where tuition is ten times that.) As Isabel Sawhill of the Brookings Institution says: "There would be something wrong with an educational system where money doesn't matter."

Yes, it is insane to throw more money into rotten big-city school systems. But true educational reform, particularly in urban areas, isn't going to work without more resources. And the public school situation, as awful as it is, isn't hopeless; look at what Mayor Daley and his brilliant school chief, Paul Vallas, are doing in Chicago, shaking up what Bill Bennett said was the worst school system in America.

Ted Forstmann

What's needed is a multiplicity of efforts – genuine public school reform, more charter schools, more experimental voucher systems and private efforts like the Forstmann-Walker initiative. Ms. Sawhill believes the private vouchers have produced "modest positive results" and that Mr. Forstmann "should be commended for stirring up the pot and hopefully shaking up the system." Similarly, Frederick Hess, a professor of education and government at the University of Virginia, says while there are tradeoffs with these private initiatives, "on balance good will come out of it."

Even more striking are the views of some certified liberals. George Miller, one of the most influential liberals in the House and the second ranking Democrat on the Education Committee, is fed up: "For too long, we've been willing to accept mediocrity and give the educational establishment a pass; we have to ask them what are we getting for the money we invest." While skeptical about taxpayer-supported vouchers for private schools, the California Democrat, who has never met Mr. Forstmann, says what he's doing "is a great idea. This will help bring about some competition which will result in more accountability."

Andy Young, the great civil rights leader and former mayor of Atlanta, sits on the Children's Scholarship Fund board. "I believe in public education," he says, noting that his children all went to public schools, "but any monopoly gets stagnant and it takes competition to wake it up." That's what the Forstmann initiative, he thinks, will do, and he's laudatory of his new conservative friend: "He's a guy genuinely dedicated to success and he's a guy who particularly cares about children."

Mr. Forstmann, who is as sincere as he is committed in this venture, believes that what he is doing is a moral imperative. "The worst case is that we save 40,000 kids' lives" he says about his scholarship fund. "The best is that we move the moral middle in America."

He recalls he got into this area right after serving on a committee looking at overhauling the nation's tax system, an issue dear to his heart. "But I realized that kids and education are more important than taxes. They are the most leveragable points in American life – the relative damage done by the lack of a good education and the good that can be done if it's changed."

When a billionaire buyout king says that kids and education are more important than taxes, that's not just compassionate conservatism; that's genuine enlightenment.

Los Angeles Times

WEDNESDAY, MARCH 17, 1999

EDUCATION

An exploration of ideas, issues and trends in education

ON LEARNING

RICHARD LEE COLVIN

This Lottery Only Has Winners, Supporters Say

On April 22, a computer will randomly select 40,000 low-income children as winners in a lottery that is already making the leaders of public education nervous.

The winners, 4,000 of whom will be in Los Angeles, won't get rich. But each will get an opportunity that the rich and the middle class always have enjoyed—the chance to attend private school. That's because they will be awarded an annual "scholarship" worth $600 to $1,600 for four years toward the cost of tuition.

The source of the scholarships is the Children's Scholarship Fund, which was set up by two of America's wealthiest men—financier Teddy Forstmann and John Walton, of the Wal-Mart Waltons. In June, when they announced the effort, Forstmann and Walton each contributed $50 million. Since then, additional donations from them and from others—including Southern California grocery magnate Ronald W. Burkle—have brought the total to about $175 million.

Now, that's a lot of money and a lot of children. It is triple the 13,000 youngsters nationwide who are already receiving tuition assistance through similar efforts. A total of $60 million has been spent on such private programs since the first one was launched in 1992 by an Indiana businessman.

But Forstmann is not interested just in helping students attend private schools. His real goal is much more ambitious. He wants to undermine the intellectual and emotional hold of what he calls the public school monopoly on the moral middle of America.

In an interview, Forstmann said he is not opposed to public schools, even though he thinks they have imploded and failed to adequately educate most children in urban areas. Nor does he favor private schools, even though he often cites the success Catholic-run schools in New York City have had in graduating most of their students and sending many of them to college.

Rather, he values the wisdom of the marketplace, which he believes will respond to serve parents if they have the power to choose the school that best suits their child. And all parents, he believes, should be able to exercise their free will, not merely the affluent.

"I'm in favor of anything that increases quality through competition," he said. "It has produced cars, it has produced computers, it has produced jet planes. In education, we're back in a 1920s Plymouth or something. That's because of the heavy hand of monopoly."

That argument has been made before, by those religious and political conservatives who want government tuition subsidies. But it has rarely swayed legislators or the public and has remained part of the political fringe.

The opposing arguments go like this: helping students leave the public schools weakens the schools they leave behind; the most capable students would be the first to jump ship; good private schools already are full; and private schools only perform better because they get to choose their students.

Bob Chase, the leader of the National Education Assn. teachers union, attacked the effort in a column he wrote for USA Today, labeling it "a classic example of bait and switch." And Sandra Feldman, the president of the American Federation of Teachers, said it was worrisome "because there is every indication in history and reality that the market is not especially good for poor people."

But Forstmann has supporters from across the political spectrum. The fund's 48-member board of advisors includes civil rights pioneer Andrew Young and the head of the Southern Christian Leadership Conference, Martin Luther King III. It also includes Senate Majority Leader Trent Lott and former Secretary of State George P. Shultz and his wife. Rounding it out are powerful business executives, entertainers, sports figures and religious leaders.

Young, introducing Forstmann at a dinner in Atlanta attended by numerous civil rights leaders, said: "There is no question in any of our minds that this is an idea whose time has come." He compared it to the early days of the civil rights movement, saying, "Every movement I've been a part of has started out as very unpopular and controversial."

When Forstmann announces the scholarships, he will highlight the tremendous demand the offer generated. "To the moral middle of America, doesn't that have to say something, if they're lined up around the corner in every city?"

Despite the overwhelming response, it's still not too late to enter the lottery. Call (800) 805-KIDS for an application. The deadline is March 31.

Children's Scholarship Fund

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TED FORSTMANN
CO-CHAIRMAN AND CEO
CHILDREN'S SCHOLARSHIP FUND

SHAVANO INSTITUTE FOR LEADERSHIP ADDRESS
MAY 1999

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Shavano Institute Address

by Theodore J. Forstmann
Senior Partner, Forstmann Little & Co.
Co-Chairman & CEO, The Children's Scholarship Fund

A lot has happened since I gave my first talk at one of these seminars three years ago. And the changes illustrate the truth of Dante's observation, "A great flame follows a little spark." For me the spark was ignited from my involvement over many years with New York's Inner City Scholarship Fund, run by the Archdiocese. I was so impressed with their success in educating children at half of what it cost the public system to fail to educate the same children, I thought: why not start a fund to help low-income families seek a good education wherever it could be found.

So I got together with John Walton and we offered 1,000 partial scholarships to students in Washington, D.C. After just a couple of months, with virtually no media coverage or advertising, we had received nearly 8,000 applications. Confronted with this huge demand, we decided to go national: John and I put up $100 million to fund 40,000 scholarships, and the Children's Scholarship Fund was born.

Frankly, I had never done anything like this before, and I was learning as I went along. Throwing a lifeline to kids trapped in the worst schools seemed like a good idea to me, but would others be willing to brave the inevitable controversy and join our cause? I soon found out.

Those who stepped forward to join our board range from civil rights leaders such as Andy Young, Martin Luther King III and Dorothy Height – from national leaders such as General Colin Powell, White House Chief of Staff Erskine Bowles, Barbara Bush, and both the majority and minority leaders of the U.S. Senate, Trent Lott and Tom Daschle – from sports and entertainment figures, such as baseball legend Sammy Sosa, actor Will Smith, Michael Ovitz, Bob Johnson of Black Entertainment Television and MTV's president, Tom Freston – from business leaders such as Jill Barad, Chairman and CEO of Mattel, to Jim Kimsey, founder of America Online – just to name a few.

The diversity of our board has been a great source of our strength – and a deep source of personal pride. In fact, as I was putting this board together I remember saying to my partner, "John, the way things are going with this board, you and I are going to end up being the only Republicans." And he said, "Teddy, I think there's something I better tell you: I'm not a Republican either."

People from all walks of life were generous, not just with their time and effort – but their money as well. Soon we had raised $70 million to match our initial investment – and with this we set up programs in 40 cities and three entire states. As calls poured in I thought: why limit our scholarships to just these local programs? We worked through the logistics, came up with extra funds, and on the Oprah show we made our scholarships available to *every single low income family in the United States of America.*

Yet nothing, not even our experience in Washington, D.C., could have begun to prepare us for the explosive level of demand for these scholarships. By our March 31st deadline we had applicants from all 50 states and territories -- from 22,000 cities and towns across America. In many areas huge blocs of the eligible population applied: 26% in Chicago; 29% in New York; 33% in Washington, D.C.; in Baltimore, MD *44% of the eligible populations applied.*

In total we received one million two hundred and fifty thousand applications. That is an almost inconceivable response – made even more so when you remember that this is only from people who had *heard* of our program.

To understand the magnitude of this demand, please remember that these are partial scholarships (parents must contribute $1,000 per year on average) and low-income applicants (average income less than $22,000 a year). Consider that $1,000 over four years from the parents of one million, two hundred and fifty thousand children adds up to $5 billion. *Five billion dollars from families who have very, very little* – simply to escape the system that they've been relegated to and to obtain a decent education for their children.

In anybody's book, that has to be an amazing demonstration of dissatisfaction with the present system – and a demand for alternatives. That's why April 21st – our national lottery day – will be remembered as a turning point in the history of American education. The parents of 1.25

million have put an end to the debate over whether low-income families *want* choice in education: they passionately, desperately, unequivocally do. Now it is up to the defenders of the status quo to tell these parents, and the millions of others they represent, why they cannot have it.

We have heard most of these arguments before. But as pressure for choice grows – as now it must – we are bound to hear these same arguments reprised with increasing frequency and exaggeration. The arguments against choice fall into four categories: 1) policy, 2) historic, 3) civic, and 4) legal. I'd like to address each of these briefly – since each, like all arguments designed to deny freedom, ultimately reveals a hollow core.

The first – the policy argument -- against choice in education essentially runs something like this: since 90% of children are in the public education system, we must "fix" that system – and fight choice, because choices bring competition, and competition will "destroy" the public schools.

Let's examine this one. It's certainly true that 90% of children currently receive education from the government delivery-system – or what we call public education. But far from being a reason for rejecting choice – it is precisely why we must embrace it. Because a system that can command, indeed enforce, a 90% market share is non-competitive. In a word: a monopoly. And as everyone knows, monopolies always produce bad products at high prices. Because when there is no competition, customers have no alternatives. And with no alternatives, they have no recourse but to accept whatever a monopoly decides to produce, and pay whatever a monopoly decides to charge.

This is exactly the record of the government monopoly in education. In the past forty years alone, we have almost quadrupled per student spending – while reducing the student/teacher ratio by nearly 40%. Yet student achievement has stagnated, while important areas like literacy and safety have seriously gotten worse. Today, for example, a public school education in New York City costs about $8,000 a year compared to roughly $3,500 in an inner city parochial school. Yet the inner city public schools lose half their students before graduation, while their parochial school counterparts graduate nearly all their students and send most off to college.

In the face of this shabby performance, we are told that if we just keep plugging away at the same old failed solutions – spend more money, hire more teachers, and reduce class sizes -- we will get different results.

In the meantime, what happens to the child? To people who want to maintain the status quo, this is not the primary concern. The primary concern is not what happens to the *child* if he is forced to stay – but rather what happens to the *system* if he is free to leave. By their reasoning, no matter how bad the situation gets, *we must not help the child to leave* lest in leaving he makes a bad situation worse. Does this make any sense at all? Does the child exist to serve the system, or does the system exist to serve the child?

But even if the policy argument were not so morally bankrupt, it runs completely counter to long settled economic truths. Long before the Sherman Anti-Trust Act we knew that monopolies stifle innovation and defraud the customer. The solution has never been to *increase* the power of the monopoly. The remedy, which has worked time and time again in American experience, is to encourage competition.

Competition may be deeply ingrained in America – but according to opponents of choice, so is what they call public education. This is the second historical argument against choice in education. America, many of us have been led to believe, was founded upon a system where government was responsible for educating the public and, as such, this system must be considered an underpinning of our democracy, and a reflection of our Founding Fathers' deepest aspirations and ideals.

The only problem with this argument is that it is a total and complete falsehood. The government delivery system we have come to know as public education wasn't established until roughly 100 years after our country's founding. The system it replaced – the system of education our country *was* founded upon – was characterized above all by diversity, competition and choice. Parents could choose from a mix of different options – while competition spurred innovation and expanded services. This approach wasn't perfect, but worked well and was improving. Not only did it arguably produce some of the greatest Americans of our history, the most basic measure of achievement – literacy – was very high, in many states higher than it is today.

But this revelation doesn't seem to phase the anti-choice crowd at all. They simply step over history to move on to the third, what I call civic, argument against choice in education. This essentially goes as follows: the free market approach may have worked in a more homogeneous society, but in today's diverse culture we need the government system to promote social harmony and teach civic values.

At least the civic argument against school choice is a more honest echo of the sentiments first voiced by public education's early pioneers. Because while Horace Mann and his followers did believe in the efficiency of a government model, there was also something else at work in the mid-19th century. As huge waves of immigrants fanned some Americans' fear of foreigners, education reformers played upon these concerns to raise doubts about the ability of immigrant parents, with their exotic religions and multi-cultural backgrounds, to make proper decisions with regard to the education of their children. The proposed solution was to filter these foreign children through some sort of standardized system.

Conflict began immediately. After the creation of uniform institutions for all, the same families that had peacefully co-existed in all kinds of different schools – non denominational, Quaker and Lutheran, classical and technical – now found themselves at odds. Parents were faced with an unwelcome dilemma, either accept that others' values would be imposed on their children, or try to impose their own values by taking control of the system. Issues changed, but the dynamic remained the same, erupting in conflict over Creationism, sex education, school prayer, religious holidays, and values education such as the "rainbow curriculum."

Attempts to deal with America's religious diversity – whether the radical secularism promoted by the left, or the common-denominator school prayer promoted by the right – have failed because they remain locked inside the parameters of the status quo. By claiming to deliver what families *need*, rather than giving them the power to pursue what they want – they needlessly trample individual rights and create social conflict.

Why not simply enable parents to pursue the education they want? According to the fourth, and final argument against choice: it's against the law.

Here's where the legal argument against choice binds parents in a catch 22. Because the same people who insist that the First Amendment prevents children from exercising their faith within the public system, argue that it also prevents families from using a fraction of their own tax money in order to leave it.

Since some children might flee to the inexpensive option of parochial schools, we're told this would represent an unconstitutional establishment of state religion. This argument holds true if, and only if, you take one thing out of the picture: the parent. Because in a competitive system, it would be the parent who would get the money and do the choosing. The fact that this argument fails to take the parent into account can't merely be an oversight: it's almost as if the government monopoly has so long discounted the customers – the parents – that they've forgotten that they even exist.

The irony is that so long as the current monopoly continues to shut out competition -- non-profit, religious schools will be the only option many families will be able to afford. Of course, this is a ridiculous result. A truly open, competitive environment in education would witness all kinds of new suppliers coming to the fore. If I can persuade you for just one moment to look beyond the status quo, perhaps you can begin to see the vibrant possibilities, dancing on the horizon of a not too distant tomorrow. Who knows where the schools will come from – might be Microsoft, or IBM, or National Geographic, or the Museum of Fine Arts.

To refuse to let such potential suppliers compete with a government monopoly is not only senseless – it is very, very wrong. We have seen what state-sponsored, government-run monopolies have produced in terms of cars, like the Yugo, or airplanes like the ones built in the former Soviet Union. There has never been an industry, a business or a product that competition has not improved. And here, ladies and gentleman, please remember, that the product is the child.

The last gasp in the government monopoly's defense is to suggest that some families, particularly poor families, won't make good decisions with regard to their children's education. Maybe, maybe not. But that's what freedom is all about, and here in America, we should place our faith in freedom -- and in the ability of ordinary, often humble people, to make the best decisions, by their own lights, for themselves and for their families. The families of our one million, two hundred and fifty thousand applicants have lit the path and are leading the way.

Children's Scholarship Fund

giving parents a choice ♦ giving children a chance

APRIL 21 KEY FACTS

- 1.25 million children from low-income families applied to Children's Scholarship Fund (CSF).
- The four-year scholarships begin in September 1999.
- The average income of families who applied is $21,000.
- The average cost of K–8 private and parochial school tuition nationwide is $2,300, according to the U.S. Department of Education. The average cost of participating CSF schools is projected to be $2,100.
- An average CSF scholarship is projected to be $1,100, depending on a family's size and income, and the school the family chooses for their children.
- The average family contribution is expected to be approximately $1,000.
- There are nearly 29,000 private schools in the United States. 25 percent of all schools are private.
- CSF has awarded more than $160 million in scholarships.
- Scholarships were awarded to families with children entering grades K–8 this fall, who were eligible according to the scale below.

INCOME ELIGIBILITY*

(All figures represent maximum eligible incomes)

Family Size	Annual	Monthly	Weekly
Two	$29,295	$2,441	$563
Three	$36,855	$3,074	$709
Four	$44,415	$3,701	$854
Five	$51,975	$4,331	$1,000
Each additional dependent	+ $7,560	+ $630	+ $145

*Indianapolis income eligibility follows the federal Reduced Price Lunch Program guidelines
Minneapolis/St. Paul and Buffalo's maximum eligibility incomes are 10% lower

- A leading independent research company conducted a random drawing of the eligible applicant families.
- A notification was sent by U.S. Mail on April 20 to winning families.
- The scholarship can be used at any private school, as long as the school is legally operating. The school may be parochial, religious or independent. Scholarships may also be used, in some cases, at public schools in school districts that allow private-pay students. Students may attend schools located outside their community, including boarding schools.
- These scholarships may be used for high school if a child STARTS receiving a scholarship in 8th grade or younger. But no NEW scholarships are awarded for students entering 9th grade or above.

7 West 57th Street ♦ New York, NY 10019

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QUOTES

"Every movement that I've been a part of started out very unpopular and controversial. That's because people are often comfortable with the status quo. Giving families choices in education raises the level of educational achievement for all schools — public, private and parochial. Giving scholarships to individual children gives each one of them an equal opportunity to succeed."

Ambassador Andrew Young
Chairman, GoodWorks International

"By providing thousands of scholarships to low-income children, CSF transforms 'equal opportunity' from a concept to a reality. The Children's Scholarship Fund is one of the most worthwhile citizen-led initiatives in American today."

The Honorable Daniel Patrick Moynihan
United States Senator

"Growing up as a poor child in a poor country, I know that a good education is not always available. Education is a way to a better life, and the Children's Scholarship Fund is making it possible for poor children to get on base with a quality education. CSF is offering valuable opportunities to children who have a lot of promise but few opportunities. I can relate to that. I am proud to support CSF for helping thousands of low-income children."

Sammy Sosa, *Chicago Cubs*

"The Children's Scholarship Fund gives low-income children the same opportunities that affluent children have to go to the best schools that are available for them. The fund will help encourage all schools to become better whether they are public schools or private schools."

Joesph A. Califano, *President*
The National Center on Addiction and Substance Abuse at Columbia University

"What is significant about the Children's Scholarship Fund is that they are giving families a choice as to how their children will be educated. A choice that so many other Americans enjoy simply because they have the means to exercise that choice."

General Colin Powell, USA (Ret)
Former Chairman, Joint Chiefs of Staff

"Every kid in America, regardless of the income of his or her parents, deserves the right for a quality education. The Children's Scholarship Fund gives children a chance to break the cycle of poverty and give all kids regardless of income a shot at the American dream."

Erskine B. Bowles
Former White House Chief of Staff

"I commend Ted Forstmann and John Walton and everyone associated with the Children's Scholarship Fund for the invaluable contributions they are making to improve the lives of so many of our young people. They set an example for all of us."

The Honorable Trent Lott
United States Senator, Majority Leader

"I believe we have to go beyond the status quo in order to create the best quality education for all children of America. The Children's Scholarship Fund is providing opportunities for these poor children. Whenever I can be involved in a cause that creates opportunity for those who have been excluded, I want to be a strong advocate."

Martin Luther King III
President, South Christian Leadership Conference

"The Children's Scholarship Fund will help thousands of low-income children who deserve a chance at a quality education."

The Honorable Charles B. Rangel
United States House of Representatives

"The Children's Scholarship Fund is creating an opportunity for kids that did not have the same opportunity a year ago. The fund is creating a dialogue nationally about our education system, which we all know needs some work."

Michael Ovitz

Children's Scholarship Fund

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