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An analysis of local education foundations as alternative revenue streams for public school districts

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An Analysis of Local Education Foundations as Alternative Revenue Streams for Public
School Districts

by

Douglas M. Busch

Dissertation

Submitted to the Department of Leadership and Counseling

Eastern Michigan University

in partial fulfillment of the requirements for the degree of

Doctor of Education

Educational Leadership

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Ypsilanti, Michigan

Dedication

This dissertation is dedicated to two individuals who supported me throughout this process: my wife, Erika, and my daughter, Alison.

Acknowledgments

I would like to express my thanks to my dissertation committee: Dr. William Price, Dr. David Anderson, Dr. Gary Marx, Dr. Jackie Tracy and Dr. Eric Schulz. I have had the good fortune of earning my second master's degree, education specialist degree, and doctoral degree from Eastern Michigan University in Educational Leadership. Dr. Price has been my advisor for each degree that I have earned at Eastern and deserves special thanks for working with me over the last twelve years. I would also like to thank Dr. Anderson, who stepped in when Dr. Price took a medical leave. Dr. Anderson works with many doctoral students, and I appreciate all of the time that he was able to devote to me. My doctoral committee and all of the professors at Eastern Michigan University have supported my growth and development as a school administrator.

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Finally, I would like to thank my parents, Barb and Mike Busch, who instilled in me the value of education at an early age. Their support and confidence in me throughout the years have helped me be the person I am today.

Abstract

As school district revenues are reduced by state allocating agencies, local school district administrators and school boards frequently evaluate alternative sources of possible revenue. One emerging source of revenue that many school districts explore is a local education foundation. Local education foundations are 501(c)(3) nonprofit organizations that are affiliated with their local public school district. This study seeks to understand the problem that local school district leaders face when dealing with the complex issues that shape the success, impact, and viability of local education foundations.

This mixed methods study used a cultural and symbolic framework to analyze local education foundations and the affiliated districts they support. A quantitative dataset was built for the study using Internal Revenue Service reporting documents and school district demographic data from the Michigan Department of Education. A statewide survey was distributed to superintendents with a local education foundation operating in their district as a source of data for the study. Finally, purposefully selected superintendents and local education foundation officials participated in follow up semi-structured interviews to obtain qualitative data. The data were analyzed using a variety of descriptive statistical techniques.

An analysis of the data revealed that 28.5% of Michigan public school districts have an affiliated local education foundation. Local education foundations contributed an average of \$13.61 per student to their affiliated district during the 2008-09 school year. Additional statistical analysis indicated that local education foundations were located in districts with lower poverty levels than those without a foundation, thus contributing to

inequity among districts. The majority of local education foundations employ an embedded governance model with district representation in a voting or ex officio capacity as described by McCormick, Bauer, & Ferguson (2001).

The study produced several summative findings. First, local education foundations in Michigan cannot be considered a source to replace reduced state appropriations. Second, local education foundations have a non-financial benefit of improving community relations. Third, local education foundations may begin to investigate moving from a volunteer model to a professional model as an operational model to maximize their benefit to their affiliated school district.

Table of Contents

Approval	ii
Dedication.....	iii
Acknowledgments.....	iv
Abstract.....	v
Table of Contents.....	.vii
Lit of Tables.....	xii
Chapter One: Introduction	1
Introduction and Background Information	1
Statement of the Problem.....	3
Purpose of the Study	4
Research Questions.....	5
Significance of the Study	6
Delimitations of the Study	8
Definition of Terms.....	9
Organization of the Study	10
Chapter Two: Literature Review	13
Introduction.....	13
Political Theme: The Income Tax.....	14
Political Theme: State Legislative Activities.....	16
Political Theme: Proposal A in Michigan and Educational Foundations	20
Political Theme: Litigation and Court Decisions.....	24
Societal Theme: <i>A Nation at Risk</i> and Educational Excellence.....	28

Societal Theme: Foundations and Equity	31
Governance Theme: The School Board and Education Foundation Interaction	37
Conceptual Framework.....	43
Conceptual Framework Summary	49
Chapter Summary	50
Chapter Three: Design and Methodology.....	52
Selection of Sample	52
Design of the Study: Mixed Methods	52
Design of the Study: The Quantitative Dataset.....	54
Design of the Study: Survey Data.....	57
Design of the Study: Qualitative Interviews and Selection Criteria	60
Validity and Reliability in Qualitative Research	63
Research Questions.....	66
Chapter Summary	68
Chapter Four: Results and Analysis.....	69
Research Question One.....	69
Summary and Analysis Research Question One	73
Research Question Two	75
Foundation Age as a Demographic Variable	76
School District Size as a Demographic Variable.....	78
Presence of Other Nonprofits as a Demographic Variable.....	79
Poverty and Equity as a Demographic Variable	80
State Funding as a Demographic Variable.....	81

Student Achievement as a Demographic Variable	82
Summary and Analysis Research Question Two.....	83
Research Question Three	86
Summary and Analysis Research Question Three.....	90
Qualitative Data Via Semi Structured Interviews.....	96
Preparation for Qualitative Interviews.....	98
Demographic Overview of Selected Districts.....	102
Qualitative Prompt One	102
Qualitative Prompt One Analysis	103
Qualitative Prompt Two.....	104
Qualitative Prompt Two Analysis.....	105
Qualitative Prompt Three.....	106
Qualitative Prompt Three Analysis.....	107
Qualitative Prompt Four	108
Qualitative Prompt Four Analysis	109
Qualitative Themes	110
Chapter Summary	115
Chapter Four: Summary of Findings, Conclusions, and Recommendations for Further	
Research.....	117
Introduction.....	117
Summary of Findings Research Question One.....	118
Summary of Findings Research Question Two	119
Summary of Findings Research Question Three	123

Conclusions.....	125
Financial Impact.....	125
Community Relations	127
Foundation Operating Model.....	128
Review of Conceptual Framework	131
Recommendations for Further Research.....	136
Chapter Summary	137
References.....	138
Appendices.....	147
Appendix A: Letter of Approval from University Human Subjects Review Committee.....	148
Appendix B: Letter of Introduction and Request to Participate for Superintendent Survey	149
Appendix C: Local Education Foundation Superintendent	151
Appendix D: Interview Guide for Semi Structured Superintendent Interviews	166
Appendix E: Interview Guide for Semi Structured Foundation Official Interviews	168

List of Tables

<u>Table</u>	<u>Page</u>
1 Presence of Local Education Foundations in Michigan Public School Districts During Fiscal 2008-09	69
2 Minimum, Maximum, Sum, Standard Deviation, and Median Revenue for Local Education Foundations in Michigan During Fiscal 2008-09	70
3 Local Education Foundation Financial Support of Michigan School Districts During Fiscal 2008-09	71
4 Mean Incorporation Date of Local Education Foundations in Michigan	76
5 Relationship Between Student Population and Local Education Foundation Presence	78
6 Public School Districts With Local Education Foundations and Another Non Profit Presence in Fiscal 2008-09	79
7 Comparison of Free and Reduced-Price Lunch Percentages in Districts with a Local Education Foundation and Districts without a Local Education Foundation in Fiscal 2008-09	81
8 Local Education Foundation Districts and Selected Student Achievement Scores in Fiscal 2008-09	83
9 Minimum, Maximum, and Mean Number of Hours Per Month Superintendents Spend on Foundation Activities	86

Chapter One: Introduction

Introduction and Background Information

Public education in the United States today is a multi-billion-dollar industry. The National Center for Education Statistics (2010) indicates that expenditures for elementary and secondary education were more than \$661 billion during the 2008-09 school year. According to the Center for Educational Research and Innovation (2010), the United States ranks first among industrialized nations in education spending as a measure of national wealth and percentage of the Gross Domestic Product (GDP). As a percentage of the GDP, education spending has progressively increased since 1936 (National Center for Education Statistics, 2003). When higher education institutions are included in expenditures totals, education sector accounts for 7.6% of the GDP (National Center for Education Statistics, 2010).

Significant reasons exist for the growing costs in the education arena. Public schools today have expanded their responsibilities to include transporting students, educating students with various exceptionalities, providing athletic programs, providing meals, teaching English to non native speakers, offering educational programming for students beginning at birth, offering guidance and counseling services, and universal preschool programs. Recently, state boards of education have adopted more rigorous curriculums to include Algebra II, advanced science requirements, and foreign languages for graduation.

A second reason for the rapid and continued growth of education expenditures is the industry itself. Education is a labor-intensive function involving human capital. From the post-industrial era to the present, the manufacturing sector, for example, has relied on

technological advances to reduce the use of human capital. Conversely, the use of human capital in the United States has grown significantly in schools. In 1970 the national average teacher to pupil ratio was 22.3 to one; by 2007 it was 15.5 to one (National Center for Education Statistics, 2010). Additionally, the National Center for Education Statistics (2010) reports that instructional aides or paraprofessional positions have increased more than 120% since 1980. In summary, educational expenditures have increased and will continue to do so due to the labor-intensive nature of teaching and learning. Additionally, the scope of responsibilities for public schools and curricular expectations are expected to grow in the future.

The United States does not have a national education system. Forty-nine states (Hawaii is the exception) have decentralized education systems that provide for local school districts to carry out the mission of educating their students. Springer, Houck, and Guthrie (2008) note there are approximately 96,000 total public schools in the United States and 14,000 public school districts. Each individual state has its own method of allocating funds to its constituent public schools. In many cases, the funding method in each state is a constantly evolving product of history, legislation, and litigation. However, local funding for public schools through tax collection remains an important source of revenue. At the conclusion of the 2007-08 school year, the federal government contributed only 8.2% to school district budgets, while states contributed 48.3%, and local sources constituted 43.5% of revenues (Education Finance Statistics Center, 2010). It is also important to note that in many cases, federal funding distributed to schools is often restricted for programming such as special education and teacher professional development or to provide school meals.

Statement of the Problem

At the same time expectations and responsibilities for public schools are increasing, local school districts are seeing their funding levels reduced. As previously noted, a large source of revenue for public school operations comes from state and local property tax sources. With an economy in recession and taxable property values declining, schools are struggling to fund their general operations. School districts are reducing expenses by increasing class sizes, eliminating extracurricular activities, reducing staff, reducing transportation service, eliminating textbook purchases, and employing other unprecedented budget reductions to maintain fiscal solvency. In addition to the increased requirements from state boards of education, school districts are finding that parents and communities are demanding that advanced critical thinking abilities and technology skills be included in the public school curriculum. The type of education that local public school districts are expected to provide has significantly changed as the United States moves from an economy focused on manufacturing to a knowledge-based global economy. Enhanced academic standards and expectations are increasing each year in American public schools. With increasing expectations for student achievement, additional costs to support new requirements, and reduced funding sources, many school districts have examined alternative revenue sources to fund their operations. One emerging alternative revenue source for public school districts is a local education foundation. The use of a local education foundation as an alternative revenue stream is relatively new in public education. This study seeks to understand the problem that local school district leaders face when dealing with the complex issues that shape the success, impact, and viability of local education foundations.

Purpose of the Study

Individual school districts began developing local education foundations as an alternative method to increase revenue for their districts in the mid-1970s. Local education foundations are nonprofit 501(c)(3) organizations designed to financially support their school districts. Wide variance exists among local education foundations regarding the amount of revenue they generate and their governance structure. These foundations may be loosely organized and generate only several thousand dollars. On the other end of the spectrum, some local education foundations are staffed by a group of professional fundraisers and are capable of contributing millions of dollars to their affiliated school districts. In an effort to equalize funding, many states have reduced or eliminated the ability to generate revenue from local property taxes. Local education foundations have provided a method of recapturing local fiscal control in many school districts. The existence of local education foundations provides an avenue to generate revenue for local school districts with minimal restrictions and oversight. Local educational foundations also raise issues surrounding funding equity, governance structure, and local control. This study will investigate how local education foundations function. The purpose of this study is to identify the financial impact that local education foundations have on Michigan public school districts, determine if relationships exist between selected school district demographic data, and analyze the role that local education foundations play as an alternative revenue stream.

Research Questions

This study will include several major research questions focused on local education foundations in public schools. Lodico, Spaulding, and Voegtle (2010) indicate that research questions should be thought of broadly, and sub-questions used to provide additional specifics to the research. Sub-questions will also be used to provide additional supporting information for each major research question.

1. How widespread are local education foundations in Michigan, and what is the financial impact on their affiliated school district?

Sub-questions for the above major question:

- A) Of the 552 school districts in Michigan, how many have a local education foundation?
 - B) Of the school districts in Michigan that have a local education foundation, how much revenue did they raise as reported in the most recent Internal Revenue Service (IRS) Form 990 filing?
 - C) Of the school districts in Michigan that have a local education foundation, how many dollars were disbursed to their affiliated school district as measured in an actual dollar amount, percentage of district expenditures, and on a per-pupil basis?
2. What is the relationship between certain school district demographic data and foundation activity?
 3. What are the district organizational factors that impact local education foundations and how do they do so?

Sub-questions for the above major question:

- A) How much time per month does the superintendent devote to local education foundation activity, and why?
- B) What type of governance model do local education foundations employ based on McCormick's classification, and why?
- C) How much influence or decision-making authority do superintendents or other school administrators have over foundation spending priorities, and why?
- D) Do superintendents believe that the local education foundation funds programs within the district on an equitable basis, and why?
- E) What, if any, positive influence has the local education foundation had on the affiliated school district?
- F) What, if any, negative influence has the local education had on the affiliated school district?

Significance of the Study

An examination of the impact of local education foundations in the State of Michigan will have significance in both the practical and theoretical applications. From a practical standpoint, school administrators and community members may be called upon to devote a large amount of time and energy to the operation or support of a local education foundation. A major purpose of a local education foundation is to create additional revenue for its respective school district. However, contributed funds from local educational foundations may come with challenging restrictions on their use. A local education foundation can also create additional structures that have the ability to influence decision-making processes in a school district due to its actual or perceived financial contributions. For practicing administrators, this study will provide further

insight into the amount of time and effort spent working with the local education foundation, its financial contributions to their respective school district, and its influence on school district operations.

A second point of significance for this study will be to determine if relationships exist between certain school district demographics such as age of the foundation, size as measured by student population, presence of another school affiliated non-profit, poverty rate, state allotted per pupil funding, and the presence of a local education foundation. The study will also investigate whether a relationship exists between foundation activity in a district and educational achievement as measured by proficiency on the major standardized test administered in Michigan, the Michigan Educational Assessment Program (MEAP) and the ACT. For practicing administrators, it will be beneficial to understand these relationships and trends as they work with, establish, or seek to optimize the operation of the local education foundation in their district.

The study will also provide a practical application of a cultural conceptual framework. The analysis of symbolism and conflict will be employed to understand how local education foundations function in public schools. A cultural conceptual framework will provide a device to make sense of local education foundation operations and the influence they have in a school district.

Proposal A, enacted in 1994, created a new environment of school funding in the State of Michigan. Proposal A modified the previous structure of local property tax collection as a primary device for funding schools in Michigan. Additionally, the recent economic downturn has caused school funding to be reduced at the state level. Funding reductions are occurring at the same time expectations of public schools are growing. No

systematic, statewide study of local education foundations has taken place since the enactment of Proposal A. Proposal A created a loss of locally controlled funding that led to a centralized statewide funding system known as a foundation allowance or foundation grant. Centrally allocated funds in the form of a per-pupil foundation allowance are frequently reduced by the Michigan Department of Education each year. With a loss of formal local control post-Proposal A and reduced per pupil funding, many districts are turning to local education foundations as an alternative revenue source. In summary, because of reductions in state funding levels and the loss of a formal local control mechanism to fund schools, this study will add to the existing knowledge base for practicing school administrators using both quantitative and qualitative data to understand how local education foundations function in Michigan public schools.

Delimitations of the Study

Many different fundraising groups exist in schools today. Some examples of these groups include parent teacher organizations/associations and activity- or sport-specific booster clubs. This study will be restricted to local education foundations that operate on a general district-wide basis versus a group designed to support a specific activity or individual school. Additionally, this study will be limited to local education foundations that formally file IRS documents under code 501(c)(3) as non-profit organizations. IRS requirements also stipulate that any organization incorporated as a 501(c)(3) must file an IRS Form 990 each fiscal year. The study will be limited to the 552 public school districts in Michigan as of the 2008-09 school year and their respective foundations that complied with IRS filing requirements. Data from the 2008-09 school year and IRS Form 990 filings will be utilized as those records are completed and audited by the Michigan

Department of Education and the IRS. Local education foundation data from private, charter, or intermediate/regional school districts or service agencies will not be included. School district demographic and financial data will be gathered from state-required transparency reporting documents posted on the district website as well as reported to the Michigan Department of Education Center for Educational Performance and Information (CEPI). Districts not in compliance with these reporting requirements will not be included in the study. Other 501(c)(3) tax reporting information will be obtained from the National Center For Charitable Statistics national database and incorporated into the quantitative dataset for analysis.

Definition of Terms

501(c)(3): The section of the Internal Revenue Service Tax Code that stipulates and identifies the necessary requirements for non-profit, charitable, and tax exempt organizations.

Contribution: Something of value provided to an organization. Typically described as assets, items of value may include cash gifts, property, skill, or time donation and equipment.

Donor: An individual, organization, or group that makes a financial contribution or gift.

Local Education Foundation: A non-profit organization established under the auspices of IRS Code 501(c)(3) for the purpose of raising funds to support a public school district. Local education foundations are required to have their own governing board. Governance models for local education foundations vary.

Non-Profit Organization: An organization defined by the IRS whose income or proceeds are used to provide support for its operations. No revenues generated by the organization are used for the private gain of stockholders or directors. By definition, local education foundations are non-profit organizations.

Proposal A: A statewide ballot proposal passed by Michigan voters in March 1994 that revised school funding formulas in Michigan. The key components of Proposal A included a limited reliance on local property taxes to fund schools and the increase of the Michigan sales tax from four to six percent. Proposal A effectively shifted school funding from a local property tax-based system to a state allocated foundation allowance funded system (Office of Revenue and Tax Analysis, 2002).

Michigan Education Assessment Program (MEAP): A standardized test given to all grade school students in Michigan designed to measure what all Michigan educators believe that students should know and be able to achieve based on state standards in five content areas: mathematics, reading, science, social studies, and writing.

ACT: Previously known as the American College Test, the ACT is a widely accepted test used to assess high school students' general education development and ability to complete college level work. Unless excused by a special education accommodation, all high school students in Michigan take the ACT as part of the Michigan Merit Exam.

Organization of the Study

This study is organized into five chapters. Chapter One contains an introduction to the study and an overview of educational spending in the United States. Additionally,

Chapter One contains the problem statement, research questions, and rationale for the study. Study limitations and a definition of terms used conclude Chapter One.

A review of the literature detailing local education foundations and public school districts is contained in Chapter Two. The literature review is organized according to specific subtopics regarding local education foundation operations, their history, and current functions. Specific literature subtopics include political activity that influenced foundation development such as Constitutional amendments, state legislative activity, and judicial rulings regarding school funding formulas. Societal forces leading to foundation development such as the publication of *A Nation at Risk* in 1983 and foundation equity issues are also included as subtopics in Chapter Two. The final literature review subtopic included in Chapter Two will address the role of local education foundation governance models and how their governing board interacts with the locally elected school board in the district. Last, the conceptual framework that underpins the study is explained at the conclusion of Chapter Two.

Chapter Three contains the design of this mixed method, non-experimental study. The technique for obtaining local education foundation financial data from the State of Michigan and IRS documents is identified. Collection procedures for school district demographic data are reported in Chapter Three. Quantitative analysis methods to examine relationships between school district demographics and foundation activity are described in Chapter Three. One of the major research questions in this study addresses superintendent perceptions of local education foundations. Therefore, the study will also be informed by data from a survey instrument administered to school superintendents in districts that have a local education foundation. As an additional method of obtaining

qualitative data on superintendent perceptions of local education foundations, superintendents and educational foundation personnel in two purposefully selected districts will be asked to participate in semi-structured qualitative interviews. Chapter Three addresses the data collection, data analysis, superintendent survey, and structured interview process designed to obtain information to complete the study and answer the research questions posed. Answers to the research questions and analysis of the answer data are explained in Chapter Four. Finally, Chapter Five will include a detailed conclusion to the study, summary of findings, and recommendations for further research on local education foundations as alternative revenue streams for public school districts.

Chapter Two: Literature Review

Introduction

The scholarly literature base addressing local education foundations in the United States contains several major themes. The first theme is the development of local education foundations based on governmental or political activity. The impact of changes to the United States Constitution that have modified the tax structure in the United States serves as a basis for the political theme, which is developed in foundation literature. A second aspect of the political theme in the literature is the role that taxpayer revolts, beginning in the 1970s, played in the development of foundations. Specifically, the political activity that led to state legislative action, court decisions, and other litigation modifying local tax structures are an important part of the literature addressing foundation development corresponding to a political theme.

A second theme developed in the literature regarding local education foundations is societal demands. The foundation movement began in the United States during the peak of the Cold War. Spurred on by the publication of *A Nation at Risk*, society sought to gain more control over the funding process of their schools as expectations were rising to be globally competitive. While political forces were organizing to limit local taxing authority for schools, the literature reveals that societal forces organized to regain some measure of local funding control through the development of local education foundations. An additional societal concern evident in the literature is a possibility that local education foundations may be a device that is leading to inequities in public schools today.

A final theme that is evident in the literature is the governance method that foundations employ in their respective school district. Several different governance

systems exist for local education foundations, and the literature identifies how these governance systems have impacted the authority relationships that exist between school district administrators and foundations. In summary, the literature regarding local education foundations can be identified by several themes or categories, which are political trends, societal demands, and governance issues.

Political Theme: The Income Tax

From a historical standpoint, educational philanthropy in this country has been present since the early colonial era. Worth (1993) notes that the first philanthropic activity in the United States was done on behalf of education. In an effort to create a school that would educate and convert Native Americans to Christianity, three colonial fundraisers traveled from Boston to London seeking funds for a new school. The first educational fundraising activity resulted in 500 pounds from England and the seed money for what would eventually become Harvard University.

The political reasons that have given rise to the growth of educational foundations in the United States include the adoption of the 16th Amendment to the United States Constitution establishing the national income tax. A second political reason that has provided for an increase in local education foundations are legislative acts since the mid-1970s to address disparity in education revenues related to local property taxes. A final political reason for the rise of educational foundations are court decisions in which individuals or groups have brought suit against a state educational agency seeking relief for inadequate educational funding. The 16th Amendment to the United States Constitution and legislative and judicial action can all be attributed to political forces that have brought about the number of educational foundations that exist today.

The first political activity that provided a basis for the development of educational foundations and an increase in philanthropy in general was the adoption of the 16th Amendment to the United States Constitution. With a vote of the state legislature in Delaware on February 13, 1913, the requisite number of states approved the 16th Amendment for it to be adopted. Specifically, the 16th Amendment provided that “The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several states, and without regard to any census or enumeration” (U.S. Constitution). The first nonprofit foundation was formed in 1914, a year after the ratification of the 16th Amendment. An immediate connection between the establishment of foundations and donors being able to reduce their income tax obligations began in 1914. In 1918, Congress passed a bill titled the Revenue Act of 1918 that provided a method for wealthy individuals to reduce their tax liability by making charitable donations (Blakey & Blakey, 1919).

In 1954, another important element regarding the development of educational foundations took place. During the 1954 legislative session, Congress passed a series of bills directing the IRS to revise and update the existing tax code. The adoption of the Internal Revenue Code of 1954 resulted in a modern tax structure (Roberts, 1993). As part of this tax code revision, the Internal Revenue Service codified requirements for tax exempt status in section 501(c)(3) which specifically states:

501(c)(3) exemptions apply to corporations, and any community chest, fund, cooperating association or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, educational purposes, to foster national or international amateur sports competition, promote the arts, or for the prevention of cruelty to children or animals. (Seidman, 1954)

This section of the code established tax-exempt status for nonprofit foundations. The adoption of the 16th Amendment to the United States Constitution, the Revenue Act of 1918 establishing income tax deductions for charitable contributions, and the Internal Revenue Act of 1954 creating modern tax exempt organizations provide political factors that gave rise to local education foundations. The framework for charitable giving that was formalized with these acts and amendments, along with subsequent revisions, has created an atmosphere for substantial charitable giving today. The Center for Philanthropy at Indiana University (2010) reports that \$303.75 billion in philanthropic donations were made in calendar year 2009 in the United States, which represents 2.1% of the Gross Domestic Product. Of the \$303.75 billion donated in 2009, \$40.01 billion was donated to the education sector. The Center for Philanthropy at Indiana University (2010) also indicates that the education sector was one of the highest recipients of donated funds in 2009, second only to the religious sector. These statistics help demonstrate that there is a healthy environment of giving for local school districts to seek revenue via a local education foundation.

Political Theme: State Legislative Activities

Another major political event that contributed to the development of local education foundations discussed in the literature is the legislative activity that began in the 1970s and continues today. From the end of World War II through 1970, the United States' economy grew during a prosperous post-war era (Frumkin, 2000). Beginning in the early 1970s, the United States began a recessionary economic period with high inflation (Mieczkowski, 2005). The recessionary environment of the 1970s led to citizens questioning high local property taxes.

The United States Constitution is silent regarding an educational system. Therefore, according to the 14th Amendment of the United States Constitution, education is reserved to the respective states. By 1970, many states had adopted school funding formulas that generated revenues based on local property taxes within the school district. Thus, high value property districts would generate more revenue and provide presumably a better educational experience than low property value districts. Any attempt to cap property tax revenue in a district would have immediate impact on students (Frankel & Merz Frankel, 2007). High property wealth districts frequently passed local tax levies to support school programs, and these programs became part of the district's culture and expectations. Crampton (2000) points out that lawmakers frequently subscribe to regional views and look at legislative trends in neighboring states but are also cognizant of national trends. A trend was developing in California regarding school equity and property taxes that would have national implications.

Beginning in 1972, a series of laws enacted in California started a national trend of legislative reform aimed at modifying school funding based on property taxes. These legislative reforms attempted to equalize education spending among those districts with a high tax base and a low tax base. A landmark ballot referendum passed in 1978 by the citizens in California, known as "The People's Initiative to Limit Property Taxation" or Proposition 13, capped the amount of property tax collected and stipulated that all tax revenues for schools be returned to the state legislature for redistribution (State of California Constitution). This initiative was passed by the people in California in June of 1978 by a wide margin and resulted in a reduction of property taxes by 57 percent (Oakland, 1979). The redistribution provision, whereby the local funds were sent to the

state and returned to the school districts, was completed based on a formula designed to equalize per pupil funding across the state, regardless of property value. High property value districts such as the Beverly Hills Unified School District and Laguna Beach United School District saw a major decrease in revenue. A report for the Oregon School Study Council states that “local foundations boomed in California in the early 1980s, when school boards began facing budget squeezes after Proposition 13 was passed” (deLuna, 1995). This boom resulted in a doubling of local education foundations in California as a response to the tax cap (deLuna, 1998). Proposition 13 in California was a major political factor in the development of local education foundations. As community members and district administrators in other states looked for additional methods of revenue in response to legislative limits on local property taxes, they looked to California as the birthplace of the school foundation movement.

A similar tax-limiting measure known as Proposition 2 ½ was passed by a ballot initiative of the people in Massachusetts in 1980 and took effect during 1982. The law formally known as Massachusetts General Law 59 Section 29C capped a municipality’s ability to raise taxes at 2 ½ percent per year (Massachusetts Department of Revenue, 2010). Communities were also given the ability to raise taxes by voting an override or lower taxes by voting an underride up to specified percentages. Again, this effectively limited a local school district’s ability to control its own revenue at a local level. These results indicate that the general tone of the late 1970s and early 1980s resulted in what has been termed a “taxpayer revolt” by Efrem, Quirk, and Whitestone (1978). However, in the midst of the revolt, the local school districts lost their ability to preserve local control and revenue generation due to property tax limits. The stage was set for school

foundations to flourish by a combination of factors such as Propositions 13 in California and 2 ½ in Massachusetts and similar initiatives to limit taxes in other states (Neil, 1983).

Another critical piece of legislation found in the literature that was a political factor in the development of local education foundations was Measure 5 in Oregon. Born out of the tax-limiting ballot initiatives in California, Massachusetts, and other states throughout the 1970s and 1980s, Measure 5 was approved with direct legislation by the citizens of Oregon in November of 1990. Measure 5 capped property taxes dedicated to school operations at \$15.00 per \$1,000 of actual value. The measure was formally codified in the State of Oregon Constitution as Article XI Section 11. It also mandated a phased reduction of property taxes dedicated to school operations from the above noted \$15.00 per \$1,000 of actual property value to \$5.00 per \$1,000 of actual property value over a number of years (Maddex, 1998). In conjunction with Measure 5, the state moved from a school finance system that was funded at the local level to a foundation grant system where funds are allotted centrally by the state. Prior to the adoption of Measure 5, 30% of revenue to fund Oregon schools came from state sources. Ten years after the adoption of Measure 5, local school districts in Oregon relied on the state to provide 70% of their operational funding (Oregon State Legislative Revenue Office, 2005). A study by Stalick and Underwood (1999) found that 67% of local education foundations were formed after the passage of Measure 5 in Oregon. The theme of educational foundations as a response to political decisions to reduce property taxes and remove local control was evident in Oregon. With the passage of Measure 5, Oregon schools began developing foundations at a rapid pace. DeLuna (1995) noted that educational foundations were little known and few in number prior to 1990 and have increased dramatically since. Several

Oregon school district foundations have raised more than \$1 million in recent years. In 2009, the Lake Oswego Educational foundation contributed \$1.6 million to the Lake Oswego School district to prevent teacher layoffs (Cruze, 2009).

Political Theme: Proposal A in Michigan and Education Foundations

The development of local education foundations in the State of Michigan is similar to the political activity that caused foundations to develop in other states. As this study focuses on educational foundations in Michigan, an examination of the literature regarding Proposal A and its role in the development of educational foundations in Michigan is appropriate.

Prior to the 1973-74 school year, Michigan operated under a modified foundation allowance formula. Under this system, the Michigan Department of Education distributed funds to schools at a guaranteed minimum level. However, local school districts were allowed to hold millage elections to increase revenue beyond what the state allotted. In 1971, Michigan Governor William Milliken and Attorney General Frank Kelley sued the State Treasurer for a more equitable funding system (Hain, 1974). The lawsuit was subsequently dismissed; however, State Senator Gilbert Bursley sponsored legislation to fund Michigan schools under a guaranteed tax base formula that was passed into law (Caesar, McKerr, & Phelps, 1974).

As the 1992-93 school year opened in Michigan, the per-pupil unrestricted aid to Michigan school districts had grown back to the level of disparity that existed in the early 1970s (Wassmer & Fisher, 1996). The difference between high property wealth and low property wealth districts was becoming a serious concern to local school boards, superintendents, policymakers, and reform advocates. At the same time attention was

focused on the funding disparity, a growing movement was surfacing in the state surrounding the high property tax levels to operate school districts. School property taxes were constitutionally limited to 50 mils. Of the 556 school districts in the state at that time, 122 were within four mils of the constitutional limit (Citizens Research Council of Michigan, 1992). Feldman, Courant, and Drake (2003) cite that in the 1990-91 school year, Michigan was third among states (65.2% overall) in the amount of local taxes dedicated to funding schools, behind only New Hampshire and Oregon. It should be noted that New Hampshire has very low taxes at the state level, and Oregon was in the process of undergoing substantial restructuring of its tax formulas at the time as previously discussed.

The combination of unequal funding and a public outcry regarding high property taxes led the Michigan legislature to pass Senate Bill 1 in 1993. Senate Bill 1 deleted two thirds of funding for K-12 education in Michigan by removing property tax revenues as a source of funding for schools. Michigan Governor John Engler signed the bill into law in August of 1993, and no plan existed at that point to replace the \$6.5 billion in lost revenue for public schools in Michigan (Addonizio & Drake, 2005).

Taxpayers in Michigan would realize substantial property tax relief with the passage of this new law. However, when Senate Bill 1 was signed into law by the governor and became Public Act 145 of 1993, it contained no measure to adequately fund public schools. A subcommittee of seven Republicans and seven Democrats from the Michigan Legislature, known as Team 14, developed legislation and policy to devise an entirely new system of school funding in Michigan. After much debate, in December 1993 the Michigan legislature passed a series of revenue bills that would provide the

framework for funding schools in Michigan. The bills contained two different revenue generating plans that would go into effect based on the outcome of a March 1994 constitutional referendum known as Proposal A. An important part of Proposal A was the increase of the Michigan sales tax from 4% to 6%. Legislators, policymakers, and the public felt comfortable transferring the responsibility of funding for schools via a foundation allowance formula because it reduced local property taxes. Additionally, in the mid 1990s, the United States and Michigan economy was growing, and, in turn, sales tax collections were increasing. On March 14, 1994, Michigan voters by a two-to-one margin passed Proposal A.

Addonizio and Drake (2005) summarize that Proposal A had five distinct goals:

Reduce and limit property taxes for school operations. Reduce the local share of funding for school operations and increase the state share. Increase state taxes to finance that greater state share with primarily reliance on a sales tax increase. Reduce, but not eliminate, the per-pupil funding disparities across local school districts. Provide more overall stability in funding. (p. 1)

Questions still exist whether Proposal A accomplished these goals. One could argue that an examination of reduced local property taxes indicates success. The last goal regarding stability in funding is currently a point of discussion among school administrators, school board members, policymakers, and the legislature in Michigan. The quantitative data illustrate the relief that local property taxpayers felt post-Proposal A. In the 1993-94 school year, the total revenue allocated by the state to local schools equaled \$2.63 billion. The year following the passage of Proposal A, state revenue allocated to local schools totaled \$7.74 billion (Michigan Department of Education, 2010). On a percentage basis, local funding for school districts in Michigan accounted for 64% of revenue, with 28% generated from the state during the 1993-94 school year. During

the 1994-95 school year, 75% of the funds for schools were generated by the state, and 17% were generated locally.

The minimum level of guaranteed funding for schools in the year following the passage of Proposal A (1994-1995) was \$4,200 per pupil from the state. The maximum amount a district could receive in 1994-1995 was \$6,500 per pupil in guaranteed state aid. Fifty-two districts in the state were spending more than \$6,500 per pupil prior to Proposal A. These districts were allowed to hold millage elections to generate an increase of \$160 and were referred to as “hold harmless” districts. Therefore, Proposal A did not have the effect of punishing or substantially reducing a district’s foundation allowance. The 52 hold harmless districts were able to pass limited levies, and the rest of the school districts in Michigan could not increase their property taxes to fund schools. Local control over school funding via property tax levies was effectively eliminated in Michigan when Proposal A was passed in March of 1994.

Like California, Oregon, Massachusetts, and other states before them, in an effort to equalize inequities that were evident in school funding, Michigan communities lost the ability to control school funding at the local level. Izaeli and Murphy (2007) indicate that the state moved to a centralized format of school funding to equalize spending. At the same time, the state drastically limited the ability of local school districts to raise revenue. Similar to the other states previously identified, Proposal A can be viewed as a critical political event that gave way to the development of local foundations as an attempt to regain local control and generate revenue. District and community members sought out methods to generate funds locally, giving rise to local educational foundations. Addonizio (1997) surveyed Michigan districts in early 1995, shortly after the adoption of

Proposal A, and found that 144 education foundations existed and generated an average of \$19,539. Additionally, this study found that only three foundations were incorporated during the 1995 calendar year. This study will add to the existing literature base of education foundations in Michigan by analyzing statewide foundation activity in the 18 years since the passage of Proposal A.

Political Theme: Litigation and Court Decisions

Legislative action occurred at the federal level to provide impetus for educational foundations along with the 16th Amendment to the United States Constitution and subsequent revisions to Internal Revenue Service Code 501(c)(3). As responsibility for education falls to the respective states, several state legislative measures took place between 1970 through the mid 1990s that capped local property taxes and led to the development of educational foundations as a method of gaining local control. These legislative actions represent a political force that gave rise to educational foundations. Furthermore, some individuals and groups organized politically and sought redress to school funding issues through the court systems. The literature reveals that several court decisions, one California decision in particular, contribute to the history of local education foundation development in the United States.

Specifically, the *Serrano v. Priest* decision handed down by the California Supreme Court in 1971 represents a landmark case that redefined the process for school funding equity in the state and subsequently to the development of local education foundations. *Serrano v. Priest* actually refers to three different court decisions informally labeled *Serrano I* in 1971, *Serrano II* in 1976, and *Serrano III* in 1977. In 1968, Los Angeles United School District resident and parent John Serrano filed a class action

lawsuit against Ivy Baker Priest, who was the elected treasurer of the State of California. Serrano alleged that the school funding system based on property taxes in California was unfair and violated the equal protection clause established in the United States and California Constitution (Serrano v. Priest, 1971). With school funding based on property taxes, residents in low property wealth school districts had to tax themselves at a much higher rate than those in high property wealth school districts to generate the same amount of revenue to fund schools. Specifically the plaintiff claimed:

As a direct result of the financing scheme they (taxpayers in low property wealth districts) are required to pay a higher tax rate than (taxpayers) in many other school districts in order to obtain for their children the same or lesser educational opportunities afforded children in those other districts. (Serrano v. Priest, 1971, p. 2)

The decisions in Serrano I and subsequently in Serrano II established a number of key elements related to the development of local educational foundations. Applying language from the seminal *Brown v. Board of Education of Topeka* (1954) case, the California Supreme Court, in a 6-1 decision, ruled for John Serrano and determined that the method of funding public education in the state was discriminatory. By applying the language from *Brown*, the California Supreme Court created nationwide attention that would trigger other state lawsuits regarding equal education funding. In *Brown v. Board of Education of Topeka* (1954), the United States Supreme Court, regarding the right to an education, opined “such an opportunity, where the state has undertaken to provide it, is a right which must be made available to all on equal terms.” The United States Supreme Court opinion in *Brown v. Board of Education of Topeka* focused on equal educational opportunity based on race. The California Supreme Court decision in Serrano applied the United States Supreme Court decision in *Brown v. Board of Education of*

Topeka to include equal education opportunity for all students, regardless of their address or property tax value. Dayton and Dupre (2006) noted that Serrano and the judicial decisions that followed it were second only to the *Brown v. Board of Education of Topeka* decision with regard to impact in operation of schools today. Two additional lawsuits, *Serrano v. Priest II* (1976) and *Serrano v. Priest III* (1977), further clarified additional issues regarding the initial lawsuit. The *Serrano II* case stipulated that all California districts must not have a per-pupil funding disparity of more than \$100 by 1980. The ultimate result of the Serrano decision was a major revision of the educational funding system in California. Specifically, a new system was implemented that reduced local reliance on property tax revenues to support schools and centralized school funding through the state itself. The school finance overhaul required by the Serrano decision was able to address the inequities outlined in the initial lawsuit. In the 1985-1986 school year, 91% of California local school districts fell within \$100 of the state average of per pupil spending (California Commission on State Finance, 1986).

The Serrano decision caused high property wealth districts to see much of the funding that went to their own community transferred to other districts via state redistribution formulas. The court's decision in Serrano was a major setback for many high property wealth districts such as the Beverly Hills Unified District, Laguna Beach Unified District, and Los Gatos Union School District. While the Serrano decision was based on a lawsuit, the underlying political tone was to correct an educational funding system that discriminated on the basis of property wealth. However, a secondary consequence of the Serrano decision was that high property wealth districts lost local control over their ability to raise funds to support their schools at a level they saw fit and

were accustomed to. Many administrators, teachers, and parents in high property wealth districts believed that providing an excellent education required more funding. Karst (1972) addressed this point by noting the California courts have ruled that establishing a statewide basic level of funding per pupil is fundamental aspect of school finance. Karst (1972) added that many communities felt a need to fund their schools beyond the fundamental or base level. The statements that Karst made in 1972 connect with the development of educational foundations. As previously noted, foundations developed at a rapid pace, especially in California after the Serrano rulings and the passage of Proposition 13. In the wake of limits being placed on local control through school equity legislation and judicial rulings, wealthy districts made a decision to go beyond what Karst termed “fundamental funding” and developed educational foundations to raise additional revenue. Today, beyond a basic or fundamental level of funding translates into action to meet the needs of students through developing local educational foundations. The trend of school finance litigation is continuing. From 1970 to 2009, 94 school finance lawsuits have been filed in 47 different states (Education Finance Statistics Center, 2009).

Constitutional amendments, legislative action, judicial rulings, and the scholarly analysis surrounding these issues add to the literature base regarding local education foundations. The literature reveals that these developments resulted in the establishment of educational foundations over the last forty years, which has yielded substantial revenue to local school districts. Local educational foundations are organized fundraising machines and sometimes employ full- or part-time directors similar to foundations operating in the private sector. When the Los Gatos Union School District in California announced a budget cut of \$1 million in 2003, the Los Gatos Educational Foundation

raised enough money to offset teacher layoffs (Lewis, 2003). In Nevada, the Clark County Educational Foundation supported the district's 225,000 students with \$3 million in additional funding (Lewis, 2003). These examples illustrate the power of local educational foundations and their possibilities for large-scale financial impact in a district.

Societal Theme: *A Nation at Risk* and Educational Excellence

In addition to a literature base focused on political themes leading to the development of local education foundations, societal themes are also present in the literature. The literature demonstrates that the educational foundation movement developed as a response to regain local control of school funding after local tax limiting and redistribution formulas began in California in the 1970s. In 1981, President Ronald Reagan's Secretary of Education, T. H. Bell, created the National Commission on Excellence in Education and requested a report on the status of the quality of education in America. The report, titled *A Nation at Risk: The Imperative for Education Reform*, was published in April 1983. At the time it was published, *A Nation at Risk* was a cautionary tale about the American education system and the "rising tide of mediocrity within it" (National Commission on Excellence in Education, 1983, p. 1). *A Nation at Risk* was published at the height of the Cold War and used military images in its description of education in America, stating "if an unfriendly foreign power had attempted to impose the mediocre performance that exists in education today, we might have viewed it as an act of war" (National Commission on Excellence in Education, 1983, p. 1). Additional information from *A Nation at Risk* (1983) stated the educational gains made in the post Sputnik era were all but gone and that "we have, in effect, been committing an act of

unthinking unilateral educational disarmament” (p. 1), continuing the use of alarming imagery for its readers.

A Nation at Risk also emphasized the importance of the United States regaining excellence in education. Four sections of the document are dedicated to definitions of educational excellence at the individual, school, college/university, and societal level. *A Nation at Risk* (1983) further emphasized excellence in education, stating, “Our Nation's people and its schools and colleges must be committed to achieving excellence in all these senses” (p. 6). The national school foundation movement was in the beginning stages when *A Nation at Risk* was released. Its publication represents a societal factor leading to the increase of school foundations.

The literature illustrates a political basis for factors that created local education foundations, which included legislative and judicial activity that led to limit school district funding at the local level. These political activities took place in courtrooms and legislative chambers across the United States. While these political factors were important, the societal factors that led to the development of education foundations were much more visible in classrooms and communities. The authors of *A Nation at Risk* indicated that if a foreign state imposed such low academic performance on America's students, it would be seen as an act of war. This was a powerful image that many Americans could easily relate to during the Cold War. *A Nation at Risk* helped define the term *educational excellence*, and it has since become engrained into the terminology involved in educational reform.

The connection between the need for educational excellence and the development of educational foundations is evident in the literature. Local education foundations can be

seen as a vehicle to bring the innovation called for in *A Nation at Risk*. McCormick, Bauer, and Ferguson (2002) note that a school foundation can be the power that fuels ideas. Local education foundations provide funding for programs that may not be considered in the normal school budget, and they may prove that innovative programs and projects can be supported by contributions (Kearney, 1984). Many school districts, regardless of whether the district is wealthy or poor, are turning to local educational foundations to support excellence (Muro, 1995). McCormick, Bauer, and Ferguson (2002) report that an additional \$20 per student for innovative programs supplied by an educational foundation can change a school.

A Nation at Risk and the quest for excellence in public education have provided a substantial societal force in the development of local foundations. Various political forces caused courts and legislatures to change funding formulas for the purposes of educational spending equity. A desire for equity also removed local control and contributed to the growth of educational foundations. At the same time, at the height of the Cold War, *A Nation at Risk* was published; it contained a critical review of the educational system in the United States and questioned our international competitiveness. The broad recommendations from the authors of *A Nation at Risk* were a challenge to the nation to return to educational excellence. Local school districts, concerned by the loss of local control over funding, responded by creating educational foundations to support excellence in their schools.

Societal Theme: Foundations and Equity

Equity in funding has been at the core of the LEF debate and prominent in the literature. California, Massachusetts, and Oregon, as well as many other states, have implemented a school funding system designed to address equity through transferring the majority of school funding from the local level through property taxes to a redistribution formula at the state level. As previously noted in the literature, communities have organized to regain local control of funding and created local educational foundations to generate revenue in an attempt to achieve excellence in their district. A number of authors have addressed the issue of foundations as a device to create inequity. An examination of donation and giving statistics supports the need for equity to be addressed in the context of local education foundations.

The equity debate regarding educational foundations started immediately after the school foundation movement developed on the west coast of the United States in the 1980s. As early as 1982, the San Francisco Unified School District received \$500,000 from the San Francisco Education Fund, and the Beverly Hills Unified School District was the recipient of a \$200,000 donation by its foundation at the conclusion of the 1982-1983 school year (Neill, 1983). It did not take long for communities to form local education foundations after property tax reforms were initiated. Concerns about equity began at the same time and developed in the literature, particularly within scholarly works addressing themes of schooling and social justice. An argument could be made that local education foundations are subverting the premise of educational equity that judicial and legislative reforms were based on. Speaking during the early period of foundation development, California State Superintendent of Education William Honing stated that he

did not feel local education foundations were undermining the intent of the *Serrano v. Priest* court ruling (Neill, 1983).

Concerns about local foundations and equity started when the foundation movement began, and they persist in the foundation literature today. Zimmer, Krop, and Brewer (2003) found that wealthy communities were more likely to have well organized, professionally run education foundations and to generate more revenue. Other findings were that wealthier districts were more likely to have direct unrestricted aid from their district's educational foundation, with the highest foundation contributing 5% of the revenue to the district (Zimmer, Krop, & Brewer, 2003).

Continuing the analysis of foundations and inequity in the literature, Brent (2002) found those districts that have foundations typically have lower free and reduced price lunch students than districts without a foundation, greater property wealth, and greater household income. Another method of understanding the equity concerns that arise with foundations is an examination of contributions on a per-pupil funding basis. New York school districts that have foundations supplement school revenues by \$17 per pupil, and California school districts supplement district revenue by \$116 per pupil on average (Brent, 2002). Local school districts without foundations do not realize any of these additional funds, raising fairness and equity questions in the literature.

Merz and Frankel (1997) concluded that local educational foundations were not a threat to maintaining equity in the schools because the amount of money that the foundations were able to generate was not significant compared to the entire district's revenue. While Merz and Frankel termed contributions from educational foundations "not significant" in 1997, these findings were based on foundation contributions as a

percentage of total district revenue and not on a per-pupil basis. In states that utilize a minimum foundation allowance system, equity concerns persist. As Brent (2002) notes, districts essentially can increase their base foundation funding level through an educational foundation, as his study measured in New York and California.

In a state that has property tax caps for equity purposes, a certain amount of revenue is distributed to local schools on a relatively equal basis. If school district residents had the statutory ability to levy a tax to generate more revenue they would, therefore establishing a new funding level. Frankel and Merz Frankel (2007) refer to the current capped level and the higher level that a community would tax itself as the “foundation gap.” In districts where foundations are particularly active and raise hundreds of thousands of dollars, community members pay a defacto tax to the school district foundation to fund the level of education they desire (Frankel & Merz Frankel, 2007). When the state removed the local ability to generate revenue, communities created another funding source via their educational foundation. Students certainly are a priority for foundations and the focus when it comes to soliciting funds. However, foundation solicitors also make a strong appeal to individuals that a contribution will help keep the school system strong and therefore their property resale values high. Local education foundations have capitalized on the concept of the foundation gap in wealthy districts, which has created more inequity when utilizing revenues from the foundation. Mertz and Frankel’s 1997 study of school foundations concluded that foundation contributions to local school districts did not present a major equity issue in the public schools. However, their most recent publication in 2007 demonstrates a major change in the literature. Reversing their previous analysis, Frankel and Merz Frankel (2007) indicate that

foundation activity does create inequity in schools. The 10 years between 1997 and 2007 have led to many districts developing foundations capable of generating a considerable amount of revenue that can contribute to inequity. With the reductions in centralized per-pupil funding, one could argue that this inequity will continue.

Investigating the role of educational foundations shortly after the adoption of Proposal A in Michigan, Addonizio (1997) found that in the 1994-1995 school year, 144 foundations contributed an average of only \$19,539 to their local school districts. At that point he concluded that local education foundations did not negate Michigan's efforts to reduce inter-district disparities.

Reich (2005) addresses the equity theme with an alternative perspective not previously discussed in the literature. Reich's argument is that the primary motivation for charity is to provide for the poor and disadvantaged and to attack the causes of poverty. The equity argument from Reich is that a twofold gain exists for districts that have a foundation. First, the district gets financial support for programs from its respective educational foundation. Second, the individual is realizing tax relief for his or her donation. Reich's point is that not only do foundations provide a mechanism for the wealthy to support their already well funded school system, but also the taxes that they would have paid could be applied to government-run social welfare programs to help the disadvantaged. Reich provides an example with the \$10 million that the wealthy Woodside School Foundation gave to the Woodside School District between 1998 and 2003. Assuming that the donors to the Woodside Foundation are in the highest tax bracket, Reich estimates that if the foundation did not have the tax deduction provision under IRS Code 501 (c)(3), another \$3.5 million would have been collected by the

government through income tax receipts of the donors. Reich argues that the \$3.5 million could have been put into governmental assistance programs to help the disadvantaged and not the wealthy in the Woodside School District. Concluding his argument, Reich indicates that local educational foundations are inadvertently contributing to disparities between districts and are rewarded by the government for doing so through their tax exempt status.

Equity arguments exist on several different levels in regard to educational foundations. Statistics and giving information identify high wealth foundations making large revenue contributions to their respective district, which does create inequity. The capacity of a local education foundation includes not only its ability to generate revenue, but also the skills of the volunteers who help operate it. Wealthier property districts will more likely have volunteers who are lawyers and accountants to help set up the foundation and ensure its viability than lower property wealth districts. Additionally, wealthier districts traditionally have a higher number of two-parent families where one parent functions in a stay-at-home capacity. These parents who stay at home can provide a core group of volunteers to assist and organize foundation activities. Brent (2002) summarizes that local education foundations are more likely to benefit wealthier communities, in part because those who cannot afford to contribute to a foundation often participate in other work with the school that does not involve a financial commitment, such as being a volunteer tutor or athletic coach at the school.

The results from the literature regarding school foundations are mixed. Carol Merz and Sheldon Frankel, who conducted the first widespread study of educational foundations, concluded in 1997 that they did not contribute to inequities in school

districts. Yet in 2007, the same authors indicated that 10 years after their initial study, inequities exist because district educational foundations have capitalized on a “foundation gap.” Addonizio’s (1997) examination of foundations in Michigan was limited. Only the 1994-1995 school year was studied, and the study took place only one year after Proposal A passed. Brent (2002) found that inequities in educational foundations existed, but his findings are based only on studies of New York and California School Districts.

Still more detailed equity questions have not been explored in the literature. Thus far, the equity discussion concerning local education foundations has focused on district demographics and drawing conclusions based on revenue generated. One critical element missing in the discussion is the role of the district superintendent. Based on formal or informal governing structures of the foundation, an ambitious superintendent could make private funding a priority. Literature regarding fund raising and development in higher education often refers to the president of a university or college as the chief executive and chief fundraiser. A superintendent who sees working with their respective foundation, or is directed by their board of education, to make the foundation a priority can raise more money. Freeing up the superintendent to work with the educational foundation can contribute to inequities because some superintendents do not have the time to make the educational foundation a priority and have to focus on other critical issues. Furthermore, a well funded district may have additional central office staff to assist the superintendent in the day-to-day operation of the district and therefore allow him or her time to engage in fundraising for the foundation.

Still another issue of equity can occur within the district concerning educational foundations. Intra-district inequity is an area that has not been explored in the literature.

There is a possibility through educational foundation donations that all funds could be directed to one school or a particular grade level, creating inequities. Foundations often provide money to highly visible areas in the curriculum such as technology or advanced courses. Possible inequities may exist if funding for projects or programs exclude certain populations such as at-risk or special education students.

The role of equity in school foundations has been an issue since school foundations were formed. The possible inequities arising out of school foundations exist between districts within states as well as at a national level based on federal tax policies. Legislative and judicial decisions have created funding formulas that have attempted to address school funding equity issues based on the property tax base of a district. In turn, local educational foundations have developed to fund their schools at a level they see fit, creating further disparities. At this time, no states have created any laws or policies that call for a state allotted per-student allowance to be reduced based on the contributions of a local educational foundation. However, as states attempt to create an equitable funding formula and local residents respond with foundations to reclaim local control, the concept of a state reduction in aid to offset local foundation contributions may not be far off.

Governance Theme: The School Board and Foundation Interactions

School board governance and the relationship a board has with its superintendent is a challenging dynamic and inherently political. The relationship that a board and superintendent have with a local education foundation can be equally challenging and is demonstrated in the literature. One significant issue with a non-profit organization such as a local education foundation operating parallel with a school district is the governance

model that a foundation chooses to adapt. Several governance models are addressed in foundation development literature.

Dan McCormick is president of the McCormick Group, formerly based in Williamston, Michigan. The McCormick Group has assisted in the development of more than 400 local educational foundations in the United States. McCormick, Bauer, and Ferguson (2002) suggest that three types of governance structures of local education foundations exist. These structures are based on a continuum: from a local education foundation that is totally controlled by the respective school board to a foundation that remains completely autonomous from the board of education. The most stringent model of education foundation governance discussed in the literature is what McCormick terms a “school board controlled foundation.” Under this model, the elected school board appoints the directors of the educational foundation or appoints themselves as the directors of the educational foundation acting in a dual capacity. On the other end of the governance spectrum is what McCormick identifies as an “autonomous foundation.” This concept calls for the education foundation to be completely separated from the board of education and superintendent. The board of education and superintendent have no formal input methods regarding foundation spending, nor do they serve on the board of directors or have a seat at foundation meetings. In the middle of the foundation governance continuum is the “embedded model.” According to McCormick, this model allows for the educational foundation to be separate and autonomous. However, the bylaws of the foundation allow for a permanent relationship or seat on the foundation’s board of directors for school district administrators or members of the board of education.

Each of the foundation models presents issues with regard to school district governance. A foundation board completely appointed by the board of education, or one that is the board of education itself, raises serious transparency concerns. The community expects to view a local education foundation as non-political and a charitable organization. Another negative to this type of governance model is that the educational foundation could be considered too much a part of the district and not employing an arm's-length relationship. With this type of model, an agency relationship may be developed between the foundation and the school district, potentially opening both groups to liability for the other's decisions. Additionally, when an agency relationship is established, it can cause the educational foundation to lose its tax exempt status. However, an education foundation controlled by the local school district allows for district administrators and board members to maintain authority over the decisions of the foundation. Under this model, the board of education and administration would be ensured that spending priorities and goals of the foundation would be in line with the direction of the district.

A completely autonomous foundation presents governance concerns as well. This model calls for a totally independent foundation governance system, which has no link to the district, and the district maintains no authority over it. The positive in this instance is that there would be no perception of board influence or favoritism over foundation spending priorities. A major drawback to this governance model is that it provides for no input or administrative control by the school district. The foundation would be free to fund projects or embark on activities that may not be consistent with the district's mission and direction.

The most popular governance model according to McCormick, Bauer, and Ferguson (2002) is the embedded model. The district is guaranteed a seat at the foundation board of directors in some capacity, according to established bylaws. Typically the superintendent, a school board member, or teacher represents the district on the foundation governing board. In this model, the district has the ability to influence and participate in the decisions of the educational foundation but does not have complete and unilateral responsibilities for spending.

The selection process of educational foundation board members can also be what Kline (1992) terms a hybrid model. Under this approach, the foundation bylaws call for a certain number of board of education members to have appointment authority for the half of the foundation's governing board members. This model allows for the board of education to maintain control and appoint individuals who may have valuable experience in the areas the foundation needs such as professionals from the banking, legal, or development and fundraising sector.

Governance models from college and university higher education foundations can also be found in the literature and connected to foundations at the K-12 level. However, a more detailed governance structure exists when the literature regarding higher education foundations is reviewed. Hedgepeth (1999) offers a complex continuum of governance with eight different models. These governance models range from a simple banking model, where the foundation acts as a clearinghouse for charitable contributions, to a completely autonomous model with complex investment activities similar to large-scale venture capitalist firms. A 1995 survey of the 100 largest college and university foundations found that only 12 schools had foundations that operate with complete

autonomy (Hedgepeth, 1999). Most K-12 local education foundations do not come near generating the amount of dollars that a university foundation can. Padover and Elder (2007) found that K-12 local education foundations are becoming increasingly more professional and sophisticated, similar to foundations in higher education which are designed to build major endowments. With the growing professionalism of local education foundations, governance issues will remain for school boards and administrators. The higher education foundation governance models identified in the literature are of note to local K-12 educational foundations as their revenues increase and they become more sophisticated.

An education foundation's governance model and the responsibilities of the board of education and superintendent under this model are also addressed in the literature. Miron & Wimpelberg (1992) support the notion that school board governance is based on the state's historical allocation of funding. Specifically, the presence of state funding formulas has created a mechanism whereby the state controls education at the local level (Miron & Wimpelberg, 1992). Cubberley (1919) cautioned that accepting state aid meant that state control over local districts would gradually increase. He noted that the next step in accepting state aid was accepting the conditions attached to it. Cubberley wrote this more than 93 years ago. However, the concept of those who control the funding having governance input (formally or informally) in how the schools operate still has merit and application today. These authors all point out that school districts govern based on funding sources, and decisions can be controlled based on these funding sources. In a district that has a strong educational foundation, this concept can have major implications. Boards of education and superintendents must have policies and bylaws in

place so that an educational foundation does not usurp the superintendent and board of education's governance abilities.

School governance is a demanding issue that requires attention at the building, district, and board level. An active local education foundation in a district can present many different challenges for a school board and superintendent. Superintendents and boards of education should engage and build strong relationships with education foundation directors. However, the governance model employed by the foundation will dictate the relationship. A foundation that works in conjunction with district leadership will become a valuable partner and assist in providing additional funding in difficult times. However, a foundation that has a governance model that does not align with the district leadership goals and vision can be damaging to all parties and hurt the credibility of the foundation to generate funds in the future.

Some practical examples of the disconnect that can occur when foundation and district leadership are not aligned help illuminate this issue. School foundations typically raise money for new technologies to be deployed in classrooms. If the technology purchased by the foundation is not compatible with existing district computer infrastructure, there will be a problem. The district will have to refuse the donation, accept the donation and not utilize it, or spend additional resources to make the existing infrastructure compatible with the newly donated equipment. Another example lies in the area of naming rights. Frequently, local educational foundations will sell the naming rights to items within the district, ranging from a coat hook in the hallway to a complete school building. A foundation that does not have a governance model in line with district priorities may initiate a drive to raise funds to name a building after a staff member who

was continually disciplined for poor job performance or even terminated. While these examples may be oversimplified, they represent some of the practical governance issues that school leaders can face when working with their local educational foundation. In a 2001 survey of school superintendents in New York and California regarding foundation governance, Brent (2002) found that only one district refused a foundation gift. This example provides insight into the governing process discussed in the literature. In two large states, district officials were willing, in all but one case, to accept funds and possible governance influences that come with financial gifts.

When school districts accept donations from their respective foundation, no matter the size, they are distributing some of their decision-making authority in return for funding. This can create challenges for school leaders because the funds generated by the foundation represent opportunities for students. Resources that supplement the discretionary portion of the general fund might be preferred by some district officials and may ultimately have a positive influence on school improvement than foundation spending decisions directed in a specific area (Brent, 2002). School superintendents are typically the primary organizational contact for foundation leadership and are also accountable to the board of education. Therefore, they are situated at the center of the governance issues that exist between an educational foundation and the school district.

Conceptual Framework

This study will be grounded in a cultural and symbolic conceptual framework. A conceptual framework refers to a method of understanding and approaching inquiry. Additionally, it provides a framework for making sense and organizing a particular concept or phenomena. In this study, several influential cultural and symbolic concepts

will be used to provide a framework for and make sense of the role of local educational foundations and their interactions in K-12 public school districts.

Many different definitions of culture exist. Schein (2010) provides an explanation of culture that will underpin this study and assist in analyzing the role that educational foundations play in public school districts. Schein (2010) notes that culture can be visible in different degrees, which he refers to as levels. Schein's levels of culture can be applied to local education foundations to provide a framework for understanding their operation.

At the surface level of Schein's definition of culture are artifacts. Artifacts include what people see and hear as well as products of the cultural group. The large symbolic fundraising events that foundations undertake represent a visible cultural artifact. Foundation meeting minutes, mission statements, press releases, websites, and mail solicitations, for example, are all easily seen to an outsider. These artifacts can be viewed as symbols to provide a basic insight into the culture of an educational foundation.

At the mid-level of Schein's description is the concept of espoused values in a culture. At this level, members of a group have constructed enough of a culture that its values can be articulated and can act as an organizational guide when challenges are presented. It is at this level of a culture that new members learn how to operate within the organization. Schein (2010) also notes that when uncertainty or uncontrollable events occur, these espoused values become a guide for decision-making and action. Argyris and Schon (1978) provide a similar definition to the notion of espoused values by indicating that those values will predict what people will say but not always exactly what they will do based on a given situation. Argyris and Schon's description espoused values as a part

of culture connects to Schein's from the standpoint that both involve how members of a group outwardly express and present themselves.

The idea of espoused values as a cultural level of analysis has application in understanding educational foundations. Educational foundations can be fluid organizations with transient membership. One reason that membership in educational foundations is constantly in flux is student advancement through the school system. Individuals may be active in an educational foundation while their children are in a particular school and grade level, but then they may transition out of actively participating in the organization. From a cultural perspective, espoused values are an important part of educational foundations due to changing membership. As the membership changes, the culture of the organization can remain the same because of these outwardly openly espoused cultural values.

Shared basic assumptions are essential to the formation of culture in any organization. Basic assumptions represent the third and deepest level of culture in Schein's (2010) analysis. Basic assumptions are fundamental and unquestioned sources of values and emotion. Culturally, basic assumptions represent a worldview for the thought and action of a group. Schein also notes that culturally, a group that has shared basic assumptions discounts those groups that do not share the same views.

In educational foundations several basic assumptions are shared. The first assumption may be that the state allocation authority does not fund schools to the level that the community thinks is sufficient to achieve educational excellence. If individuals believed that schools were funded at an appropriate level, foundations may not be necessary from a financial standpoint. A second closely related shared assumption

regarding educational foundations is the importance of local control. In a school funding environment where the local ability to control revenue generation is limited, a basic shared assumption may be that foundations provide a vehicle for local control of revenue. A third shared assumption that is a cultural component of educational foundations is that individuals believe that their work with the foundation will make a beneficial contribution to the school district. Those who devote their time, effort, and energy to foundation work may assume that the revenue they generate is significant enough to impact the students of the school district. As previously noted, one of the purposes of this study is to quantify the actual financial impact of local education foundation as measured by revenue. These shared assumptions help assimilate new members to educational foundations and provide a method to sustain education foundations as foundation leaders, school board members, and superintendents turn over.

Another key aspect of using a cultural framework to understand the role of educational foundations in public school districts is through the lens of conflict. Schattschneider (1975) indicated that at the root of all politics lies conflict. Conflict plays a major role in the development of local educational foundations. Through litigation, legislation, and other forces, individuals in high wealth school districts lost their ability to raise taxes locally and fund their schools at a level they felt was appropriate to create educational excellence. Local residents developing educational foundations to fund schools used the concept of conflict to build foundations, recruit volunteers, and, most important, solicit donations. When authorities in society, such as the courts and legislature, limit the ability to control revenue at a local level, conflict is bound to develop. Community members who could not locally raise taxes to fund their schools

framed the need for an educational foundation as a conflict. In this case, organizers of local education foundations identified a conflict between the allocating authority (the state education agency, court, or legislature) and their own local school district.

Foundation organizers used the fact that the state did not allow for local generation of revenue for schools as a point of conflict between them and the state itself. The conflict was framed so that individuals would be encouraged to support and participate in the local educational foundation because the state funding agency did not allow them any local control of generating revenue for their district. At the basic level, the message to the community was “the state took away our local funding abilities, and we should organize locally to fund the schools at the level we require, not what the state will allocate.”

Schattschneider (1975) discusses the mentality of conflict, indicating that the outcome of a conflict will be determined by the size of the crowd and its response. Foundations have become very effective at developing a large crowd to participate and donate. Foundation leaders frame the conflict as a battle between the authoritative allocating agency that took away their local funding abilities and communities’ right to locally fund their schools at a level they see appropriate.

A second component of using a cultural framework to understand the role of local educational foundations is also derived from Schattschneider. Schattschneider (1975) indicates that key aspects of conflict are the attempts made from various involved parties to privatize or socialize the conflict. Privatizing a conflict attempts to keep the visibility of the conflict at a minimal level and among only the groups involved. Socializing a conflict is to make it public and increase its visibility and exposure. Schattschneider’s concept of conflict socialization and privatization plays a role in the development of

educational foundations. After defining the conflict with the state funding agency, local education foundations seek to socialize the conflict regarding funding and local control to their benefit. By socializing the conflict and calling attention to the lack of funding abilities at the local level, it further fuels an “us versus them” mentality and draws attention to the need to support a local foundation as a revenue stream for the school district. One of the methods employed by local education foundations to socialize the conflict includes high profile events that call attention to the conflict and to raise funds but often may be just symbols of the conflict itself.

A third aspect of a cultural framework to ground the study of educational foundations addresses symbolism and the role that symbols play in education. Edelman (1985) defines the role of symbols in politics by describing condensation symbols. “Condensation symbols evoke the emotions associated with the situation. They condense into one symbolic event, sign or act, patriotic pride, anxieties, remembrances of past glories or humiliations, promises of future greatness-some one of these or all of them” (p. 6). A local educational foundation itself, and more specifically the visible activities it engages in, could be considered condensation symbols. Applying Edelman’s logic, a local education foundation and its activities might represent symbolic reassurances to the community that a vehicle exists for local control of school funding and that something can be done despite the conflict. A local community concerned by the lack of ability to tax themselves in the name of equity for other districts and support the school at a local level could find comfort in the fact that they have a mechanism to raise the necessary funds. Many foundations have very large public events such as black-tie dinners, awards banquets, dances, phone drives, and casino nights in an effort to raise funds for their

district. These large public events, which are often highly publicized with donated advertisement time, may be construed as symbols for the community to feel comforted that they have some local control of funding through supporting their local education foundation. These events and the foundations themselves provide valuable community relations vehicles to engage the public in supporting their local district. As it relates to symbolism, one of the purposes of this study is to determine if local educational foundations provide meaningful and usable revenue to actually support school districts, simply are reassuring symbols, or both. Additionally, data analyzed as a part of this study will also provide an understanding of the factors that impact local education foundations, including their strengths and weakness as possible condensation symbols.

Conceptual Framework Summary

Culture and symbolism as a framework for understanding local educational foundations will underpin this study. The concepts identified by Schein, Schattschneider, and Edelman assist in making sense of the development of local educational foundations and the role they play in local school districts. Three different levels identified by Schein (2010) will be used to explain how foundations function from a conceptual standpoint. Another element of this framework is conflict. By framing the lack of local control over school funding as a conflict, school foundation leaders can socialize the funding conflict to the larger community and gain more support for the foundation. As local school education foundations socialize the conflict as a clash between a faceless allocating agency at the state level and the educational needs of the community for excellence in schools, it is possible that they will engage in highly symbolic activities. These high profile foundation activities could act as symbolic reassurances to the community that

there is a method of local control and local funding. In reality, these high profile activities may be simply symbols or they may be actually meaningful devices to raise revenue. A conceptual framework based on culture, the identification of socialized conflict to call attention to the funding issue, and the use of symbols by educational foundations assist in the understanding of the role that local educational foundations play in school districts today.

Chapter Summary

This chapter contained a review of the literature regarding the operation of local education foundations. The literature review was organized around several different themes that developed throughout the course of this research. A political theme regarding education foundations is evident in the literature with the passage of the 16th Amendment to the United States Constitution and activities that played out in state legislatures across the country. Court decisions and the frequency of school finance litigation are also addressed in the literature and continue the theme of politics in the local education foundation arena. Additionally, since this study focuses on Michigan public schools, the literature regarding Proposal A in Michigan as a device to limit local property taxes was also reviewed.

The influence of societal events that led to the development of local education foundations as a method to regain local control of school funding, especially in the wake of *A Nation at Risk*, was addressed in the literature. Educational funding equity and the role it played in the development and current operation of educational foundations emerged as a societal theme in the literature. The topic of educational foundations and systems of governance were also explored. Specifically, several different types of

educational foundation governance models that were evident in the literature were discussed and presented for analysis.

The conclusion of the chapter described the conceptual framework that will underpin the study and provide a foundation for analysis. The theories of culture and symbolism developed by Schein, Schattschneider, and Edelman will be applied to the data collected and assist in answering the research questions posed in the study.

Chapter Three: Design and Methodology

Selection of Sample

During the 2008-09 school year, the Michigan Center for Educational Performance and Information (CEPI) reported that a population of 552 public school districts existed in the state (CEPI, 2008). The data gathered for this study were based on the entire population of school districts in Michigan at that time. The focus for this study was school districts in Michigan that had a local educational foundation and complied with IRS regulations to complete a Form 990 document. Fiscal 2008-09 was the most recent fully audited year by the IRS at the time this study was conducted. Additionally, the state school district financial reports for fiscal 2008-09 were audited and complete at the time of this study.

Design of the Study: Mixed Methods

The goal of this study was to examine the role of local educational foundations in the State of Michigan. Specifically, this study examined the activities foundations engage in, their governance structures, revenue contributions to the school district, and superintendent perceptions of these organizations. Qualitative and quantitative methods were employed to conduct the study. Morse and Niehause (2009) describe mixed methods research as a design where one research method is a core component and another is a supplementary component. Using Morse and Niehause's definition of mixed methods, the quantitative aspect of this study is the core component, and the qualitative aspect is considered the supplementary component. The quantitative analysis from the dataset served as the core component while purposefully selected semi-structured interviews were used as a supplementary method to provide additional insight into the

themes and trends developed in the quantitative analysis. Johnson and Christensen (2004) describe mixed method research as a process where one phase of a research study uses a quantitative research paradigm and another phase uses a qualitative research paradigm to answer the research questions posed in the study. Fielding and Fielding (1986) state that one type of research method should be suited to explore the structural aspects of a problem and another method used to capture the essential elements of its meaning to those involved. As such, the first phase of the study employed quantitative data that provided fundamental financial and demographic information to answer the research questions. Quantitative data were collected and analyzed using a variety of statistical measurements to explore relationships between school districts that had an active foundation and those that do not. Quantitative data were collected through a survey distributed to superintendents in Michigan who had educational foundations operating in their school district. The second phase of the study took a qualitative approach. Qualitative data needed to answer the research questions posed in the study were gathered via an examination of foundation documents and follow-up semi-structured interviews. Superintendents and foundation officials were interviewed to further explore the themes evident in the quantitative section of the study and capture the “essential elements of meaning” which Fielding and Fielding reference (1986). Two districts within the Southeast Michigan region were selected for follow-up semi-structured qualitative interviews. Finally, since this study began with quantitative data and concluded with qualitative data, it can be described as a mixed method sequential study because the varying methods were used in sequence versus concurrently.

In this study, a mixed method approach combining a quantitative and qualitative paradigm was appropriate. This study was grounded in a cultural and symbolic conceptual framework as a device to understand how local education foundations function. Quantitative data assisted in using a framework supported by statistical information such as foundation financial activity, school district size, school district budgetary data, and a survey of superintendents with local education foundations operating in their district. However, to understand how foundations and school districts relationships are impacted, qualitative data were also obtained through semi-structured interviews with selected school district superintendents and foundation personnel. Howe (1988) notes that quantitative and qualitative methods are inextricably intertwined. Explaining the benefits of a mixed method approach, Smith (1983) states that one method (quantitative) searches for laws, and the other (qualitative) seeks understanding. Semi-structured interviews for selected superintendents and other individuals were used after the quantitative data analysis to seek further understanding and insights into foundation activity. The quantitative data provided a statistical basis for answering the research questions and the qualitative data provided further understanding and insight. A combination of these research traditions provided different types of data necessary to seek answers to the research questions posed.

Design of the Study: The Quantitative Dataset

A dataset was developed to answer the research questions presented in the study. The assembly of the quantitative dataset consisted of several steps. First, the Michigan Department of Education (MDE) Bulletin 1014 was used to construct a list of all public school districts organized by county. Bulletin 1014 is a document published by the

Michigan Department of Education that contains statewide school district rankings based on selected financial data. Data for additional demographic and financial variables from MDE Bulletin 1014 were entered into the data file and are listed below. Data regarding school district revenues and fund balances were obtained from the Michigan Department of Education Financial Information Database (MDE-FID) and placed into the statistical database for this study. The FID is a statewide financial database that contains an electronic collection and summary of each district's audited financial statements. Data from Bulletin 1014, the FID, and the Michigan Department of Education School Data Website were inputted into a Statistical Package for the Social Sciences (SPSS) database file for analysis.

The variables in the dataset obtained from Bulletin 1014 and MDE-FID included:

- Name of district
- Location of district by county
- Student enrollment
- State rank of district size as measured by student enrollment
- Student foundation allowance from the state
- District fund balance expressed as a dollar figure
- District fund balance expressed as a percentage of expenditures
- Michigan Education Assessment Program (MEAP) proficiency percentages measured on a district basis
- Education foundation incorporation date
- Education foundation revenue
- Education foundation expense

- Education foundation net assets
- Education foundation funds distributed to the school district
- Presence of other school affiliated 501(c)(3) organizations

Second, a search for a local education foundation serving a respective school district took place. The search for a foundation affiliated with its constituent district consisted of several steps in an effort to obtain the most accurate information. The primary method for determining if a local education foundation existed for a district was to use data obtained from the National Center for Charitable Statistics (NCCS). NCCS provides a nationwide clearinghouse for charitable giving the United States. NCCS gathers data from the Internal Revenue Business Master File (IRS-BMF) that functions as a governmental registry for nonprofit organizations. Data search tools provided by NCCS allow the user to search for financial information for 501(c)(3) organizations by customizable field including state, county, zip code, organization code, and organization name. Results provided by the NCCS search tool include foundation revenue, foundation expenses, foundation net assets, year of incorporation, and IRS Form 990 documents that can be viewed as a portable document file (PDF). This search process produced all nonprofit 501(c)(3) organizations in Michigan. After identifying all active nonprofit 501(c)(3) organizations by state, the dataset was sorted by county and zip code. The result of this search process yielded all nonprofit 501(c)(3) organizations in Michigan sorted by county and zip code. A third step in building the dataset was to isolate the local educational foundations serving public school districts.

The third step in the NCCS data gathering process is a sort-by-IRS category to isolate local districts. IRS nomenclature for identifying nonprofit entities is outlined in

the National Taxonomy of Exempt Entities (NTEE). The NTEE uses a letter code for any 501(c)(3) organization to identify those related to educational programs. The data were then sorted by NTEE code B-11 or B-12, which is used for identification of educational fundraising organizations. Once the dataset was sorted and developed, it was inputted into the SPSS file for analysis.

The SPSS file contained variables from the demographic data noted above along with the financial information from the NCCS database. Finally, each district website was reviewed and searched for a link to its local education foundation if one existed. Any demographic or financial information that was missing from the NCCS search was inputted into the database. The result was a detailed dataset of district demographics, district financial data, and local education foundation information obtained from state and federally audited sources.

Descriptive data analysis and correlation tests were used to investigate relationships between school district demographics and foundation activity. Primary source data from the Michigan Department of Education Bulletin 1014, Michigan Department of Education Financial Information Database, and the National Center for Charitable Statistics provided the information needed to answer the quantitative research questions posed in this study.

Design of the Study: Survey Data

Additional quantitative data were gathered from a survey administered to superintendents. A survey instrument was emailed to superintendents in districts with local educational foundations. The purpose of the survey was to assist in answering specific research questions regarding activity of the respective education foundation and

to identify the governance model that it employed. The information gathered from practicing school superintendents allowed for analysis of the benefits, drawbacks, and limitations of local education foundations. As mentioned previously, the IRS Form 990 information discloses how much funds were generated by a local education foundation and dispersed to its respective district. The IRS Form 990 document does not require reporting information regarding how local education foundation funds are dispersed once they arrive in the district. One of the key purposes of the survey was to obtain data regarding how districts use and disperse foundation funds internally once they arrive in the district.

Frankel and Wallen (2003) indicate that educational research typically uses two different types of surveys: cross-sectional and longitudinal. A cross-sectional survey collects information from a sample at a particular point in time versus a longitudinal survey, which is designed to collect information at varying points in time. A cross-sectional survey was employed in this study as it is designed to capture information from a predetermined population of school superintendents at a given point in time.

A pilot study was distributed to fifteen selected superintendents with affiliated local education foundations prior to the full survey distribution. The pilot study provided an opportunity to refine and clarify survey questions where necessary. Additionally, the pilot study included an anecdotal comment box at the conclusion of each section for feedback. Finally, several of the pilot survey participants participated in a post-survey interview to assist in further clarifying the concepts in the survey and reducing similar questions that yielded the same answer. The opportunity to conduct a pilot survey

allowed for an opportunity to clarify some questions and also reduced the amount of possible repeat questions.

After identifying the superintendents to participate in the statewide survey based on IRS information that indicated which districts have local education foundations, a letter of introduction by the researcher was mailed to their central office address. The Michigan Association of School Administrators (MASA) is recognized as the statewide advocacy organization for school superintendents in Michigan. MASA makes mailing labels available for research purposes at a nominal fee. Using MASA mailing labels for the introduction letter helped ensure that any mailing or address errors were minimized. An Internet-based list serve posting to provide notice of a survey distributed by email can also assist in increased survey response rates (Lodico, Spaulding, and Voegtler, 2010). A message describing the research project and purpose of the survey was distributed via the MASA list serve a week before the letter of introduction was mailed.

The letter of introduction contained the name of the researcher and dissertation chairman along with approval documentation from the University Human Subjects Review Committee. The introductory letter and the survey itself included appropriate research subject precautions. Research subject precautions included securing participant informed consent, a guarantee that responses will remain anonymous, notice that they may withdraw at any time, and information regarding data security protocols. Included in the letter of introduction was an invitation to participate in the survey and instructions for how superintendents could complete the survey once it was emailed to them. The survey instrument was distributed electronically from the researcher's work email address using the web-based SurveyMonkey software. Web-based survey tools have benefits including

a low cost, automatic completion tracking, and statistical data exporting and reporting capabilities (Mertens, 2005). Drawbacks of web-based surveys include potential respondents' lack of computer technology to complete the survey. However, since all superintendents listed in the MASA database had active listed email addresses, technology access should not be a barrier to the completion of the survey.

A timeline of when superintendents could expect to see the survey arrive in their email inbox and a requested completion date were included with the letter of introduction. Superintendents were provided two weeks to complete the survey and received a reminder email from the researcher if they had not completed the survey the first week. After the expiration of two weeks, a follow-up email with the link to the survey was sent to superintendents who did not complete the survey. Finally, the researcher obtained permission from his employing school district to use his official district email address to distribute the survey. By using a school district email address versus a university or personal email address, the researcher assured recipients that the survey was a legitimate request for information to be used in research, which increased the response rate.

Design of the Study: Qualitative Interviews and Selection Criteria

Previous researchers such as Deitrick (2009), Woodsworth (2007), and Mummau (2004) conducted studies on the impact of local education foundations. These authors focused their work on case studies of specific school foundations and the differences between local education foundations and other nonprofits. None of these studies were completed using data from Michigan public schools. Also, these studies did not gather data from school district superintendents regarding the role of educational foundations in

their respective district. The survey instrument used in this study assisted in obtaining information regarding superintendent perspectives on local educational foundations in their district. When differentiating between the uses of data gathered from a survey and data gathered from interviews, Newby (2010) indicates that the former can be analyzed in a quantitative way and the latter in a qualitative sense. The quantitative survey instrument provided an opportunity to gather data from superintendents regarding local education foundations. Semi-structured qualitative interviews from two purposefully selected districts allowed for further data to be gathered and the research questions to be answered.

A stratified purposeful sample was selected for semi-structured qualitative interviews. Stratified purposeful samples can be defined as samples within samples based on selected criteria (Patton, 2002). The school districts that were selected for follow-up semi-structured interviews were based on several criteria. The first criterion for selecting school districts for follow-up semi-structured interviews was the foundation governance model. Research Question Three addressed the role that the foundation governance model played in the interface between the foundation and the superintendent. The survey instrument in this study was designed to gather data regarding governance models. One criterion for follow-up semi-structured interviews was to select districts that had the embedded model based on McCormick's (2002) classification of foundation governance. The embedded model of governance was selected because it is the most popular model of foundation governance for local education foundations in Michigan.

A second criterion for the selection of districts to participate in follow-up semi-structured interviews was the size of the district as measured by student enrollment.

During the 2008-09 school year, school districts in Michigan ranged from as small as two students to districts that enrolled more than 100,000 students. Given the wide range of school district sizes in the state, one criterion for selecting districts for qualitative follow-up interviews was incorporating districts of varying size, if possible.

A third criterion for the selection of interview participants was based on the foundation allowance allotted from the Michigan Department of Education. A key study by Reich (2005) noted in Chapter Two raises concerns that local education foundations may be contributing to inequity among school districts by providing a vehicle for already well funded school districts to increase their revenue. One criterion used in selecting districts for follow-up semi-structured qualitative interviews was the amount of funds received by the Michigan Department of Education. Specifically, districts of varying foundation allowances from the state were selected.

The criteria listed above for qualitative interview selection based on the dataset—foundation governance model, size as measured by enrollment, and foundation allowance from the Department of Education—provided an opportunity for the study to be informed by diverse perspectives from superintendents and foundation leaders. One of the important themes that emerged from the literature was the use of local education foundations as a method to regain local control of funding in the absence of the ability to levy additional taxes. The qualitative data provided by school district superintendents and foundation leaders in school districts assisted in determining whether foundations were used as a method to regain local control of revenue generation.

Examining a continuum of interview methods, Newby (2010) notes that a semi-structured interview falls between a questionnaire style interview (where the interviewer

has no freedom to deviate from a script) and an evolving interview that has known goals but not necessarily any specific end points. Wengraf (2001) further indicates that semi-structured interviews call for a certain degree of standardization of interview questions and a certain degree of openness in the response by the interviewer. A semi-structured interview was the most appropriate for this study as the topic was superintendent perceptions of educational foundations. However, a semi-structured interview did allow for the flexibility to investigate specific or unique situations regarding educational foundations in a given school district from a superintendent's perspective. In fact, Bernard (2000) states that "semi-structured interviewing works very well in projects where you are dealing with managers, bureaucrats and elite members of a community—people who are accustomed to efficient use of their time" (p. 191). Taylor and Bogdan (1998) suggest that an interview guide of general topics to be discussed with the interviewee is best when the interviewer already has a basic understanding of the topic. In this case, the quantitative data set analysis was completed and assisted in providing the researcher/interviewer with a statistical background with regard to educational foundations. An interview guide (Appendix D) provided the researcher/interviewer with a number of starter questions, for standardization purposes, which were explored with the superintendents regarding their perceptions of local education foundations.

Validity and Reliability in Qualitative Research

Glesne (2006) indicates that trustworthiness and research validity is an issue that should be addressed during both the research design and data collection phase of a study. In order to ensure trustworthiness and validity in the qualitative portion of the study, two procedures were implemented. Creswell (1998) further recommends that two of the

following eight procedures be utilized to ensure reliability, validity, and trustworthiness in qualitative research: prolonged engagement and persistent observation, triangulation, peer review or debriefing, negative case analysis, clarifying researcher bias, number checks, thick description, and external audits. Triangulation and thick description were employed in this study to ensure reliability, validity, and trustworthiness.

Triangulation involves relying on multiple methods of data collection to ensure trustworthiness of data (Glesne & Peshkin, 1992). Triangulation was employed as a method to ensure validity, reliability, and trustworthiness in this study. Quantitative data from school district financial documents and IRS Form 990 documents were used in conjunction with the qualitative data obtained through the interview process with multiple individuals from each school district and its educational foundation. An additional qualitative source of information was drawn from documents or artifacts produced by the District A's educational foundation and District B's educational foundation. Artifacts such as annual reports, meeting notes, and newsletters were used as data sources. Triangulating data sources such as interviews, quantitative financial data, and artifacts from these educational foundations assisted in providing a strong qualitative basis for the study.

A second method to ensure validity, reliability, and trustworthiness of the qualitative phase of this study was the use of rich, thick description. Merriam (2009) describes the use of rich, thick descriptions as a strategy to promote validity, reliability, and trustworthiness by "providing enough description to contextualize the study such that readers will be able to determine the extent to which their situations match the research context, and hence, whether findings can be transferred" (p. 229). The use of rich, thick

description included a detailed description of the findings with evidence in the form of quotes from the individuals interviewed, field notes, and supporting documents (Merriam 2009). The use of rich, thick description in qualitative research also allowed the reader to digest the findings in the study, relate to the findings, and transfer them to other situations. As the qualitative aspect of this study will be focused on only two school districts and their respective educational foundations, the use of thick description will help ensure validity as well as transferability to other school districts and their relationship with their own local education foundations.

This mixed methods study used quantitative and qualitative data to analyze the role that local education foundations played in the State of Michigan during the 2008-09 school year. Specifically, quantitative data were gathered to answer research questions focused on the existence of educational foundations and their relationships between district demographic information and student achievement. Additional qualitative information was gathered through a survey instrument designed to obtain data from superintendents on their district's foundation and governance model. Finally, semi-structured qualitative interviews with purposefully selected superintendents and foundation officials were used to provide depth to themes developed in the quantitative dataset. By combining a quantitative and qualitative approach, the study was informed by a number of data sources to address the research questions.

Research Questions

The purpose of this study was to identify the financial impact that local education foundations have on Michigan public school districts, determine whether relationships existed between selected school district demographic data, and analyze the role that local education foundations played as an alternative revenue stream. This study included several major research questions focused on foundation activity in Michigan. The first research question was designed to provide a quantitative explanation of how widespread foundations are in Michigan. The second question was designed to quantitatively evaluate the relationships between district demographic data and foundation activity. The third research question addressed superintendent perceptions of school district foundations and the governance models they employed. Sub-questions were used to provide additional detail to clarify each research question.

Research Question One

How widespread were local education foundations in Michigan, and what was the financial impact on their affiliated school district during the 2008-09 school year?

Sub-questions for the above major question are:

- A) Of the 552 school districts in Michigan, how many had a local education foundation?
- B) Of the school districts in Michigan that have a local education foundation, how much revenue did they raise statewide as reported in their IRS Form 990 filing?

- C) Of the school districts in Michigan that have a local education foundation, how many dollars were disbursed to their affiliated school district as measured in an actual dollar amount and percentage of district expenditures?

Research Question Two

What is the relationship between selected school district demographic data and foundation activity?

Research Question Three

What are the district organizational factors that impact local education foundations and how do they do so?

Sub-questions for the above major question are:

- A) How much time per month does the superintendent devote to local education foundation activity?
- B) What type of governance model does the foundation employ based on McCormick's foundation governance model classification, and why?
- C) How much influence or decision-making authority do superintendents or other school administrators have over foundation spending priorities, and why?
- D) Do superintendents and local foundation leaders believe that the foundation funds programs within the district on an equitable basis, and why?
- E) What, if any, positive influence has the local education foundation had on the affiliated school district?
- F) What, if any, negative influence has the local education foundation had on the affiliated school district?

Chapter Summary

The purpose of this chapter was to outline the research methodology employed in this study. Specifically this study can be classified as a sequential mixed methods study using a statistical data set, cross-sectional survey, and semi-structured interviews to answer the research questions presented. Three major research questions were presented in this chapter to examine role of education foundations on an explanatory, analytical, and perceptive level.

Chapter Four: Results and Analysis

Research Question One

Research Question One and corresponding sub-questions were designed to present a descriptive examination of local education foundations in Michigan, including the number of foundations and their financial impact.

Results Research Question One: Sub-Question A

Of the 552 school districts in Michigan, how many have a local education foundation?

As noted in Table 1, 157 public school foundations exist in the State of Michigan. Twenty-eight and a half percent of the school districts in Michigan have a foundation that is formally incorporated under IRS regulations to provide support for its constituent school district.

Table 1

Presence of Local Education Foundations in Michigan Public School Districts During Fiscal 2008-09

		Frequency	Percent	Valid Percent	Cumulative Percent
Foundation	Yes	157	28.4	28.5	28.5
Presence in	No	393	71.1	71.5	100.0
District	Total	550	99.5	100.0	
Missing	System	3	.5		
Total		552	100.0		

Results Research Question One: Sub-Question B

Of the school districts in Michigan that have a local education foundation, how much revenue did they raise statewide as reported in the IRS Form 990 filing?

As indicated in Table 2, the total amount of funds raised by local education foundations in Michigan was \$9,168,393. Forty-three local education foundations reported raising no funds during the 2008-09 year. Fiscal year 2008-2009 was particularly challenging from an investment prospective, and several foundations reported losses in their investments, resulting in lower revenue generation. The median amount of revenue generated for local education foundations in Michigan was \$25,180 during the 2008-09 school year. The \$25,180 median figure reflects only the dollars raised during 2008-09 and not any additional assets, investments, or endowments held by the foundation.

Table 2

Minimum, Maximum, Sum, Standard Deviation, and Median Revenue for Local Education Foundations in Michigan During Fiscal 2008-09

	N	Minimum	Maximum	Sum	Median	Std. Deviation
LEF Revenue	157	\$0	\$1,103,880	\$9,168,393	\$25,180	\$133,988
Valid N (listwise)	157					

Results Research Question One: Sub-Question C

Of the school districts in Michigan that have a local education foundation, how many dollars were disbursed to the affiliated school district as measured in an actual dollar amount, percentage of district expenditures and on a per pupil basis?

Many local education foundations have policies regarding how much foundation revenue is disbursed to the affiliated school district. Some foundations have policies in place that are very liberal and disburse every dollar generated to the affiliated school district in a given fiscal year. This policy is consistent with foundations assuming a banking or financial clearinghouse model as noted in the literature review by Hedgepeth (1999). Other foundations are more conservative and may not disburse any dollars to their affiliated school district until a certain endowment figure is reached. As Table 3 indicates, the maximum dollar amount distributed by a local education foundation to its affiliated school district was \$376,607 during fiscal 2008-09. The median amount of funds distributed by the 157 local education foundations in Michigan to their respective school districts was \$15,816. As previously noted, 157 local education foundations exist in Michigan. The 157 local education foundations in the state distributed a total of \$4,541,191 to their affiliated school districts during fiscal 2008-09.

Table 3

Local Education Foundation Financial Support of Michigan School Districts During Fiscal 2008-09

	N	Minimum	Maximum	Sum	Median	Std. Deviation
LEF Revenue	157	\$0	\$376,607	\$4,541,191	\$15,816	\$47,727
Valid N (listwise)	157					

The data collected for this study also indicated that local education foundations in Michigan held a total of \$33,700,000 million in cumulative assets statewide during the 2008-09 school year. This demonstrates that local education foundations in Michigan are not acting as clearinghouses that raise and spend to a zero sum balance each year but are retaining some funds for operating expenses and to build endowments, which can be a good financial practice. However, the amount of funds held as assets or in an endowment account by these local education foundations may also present an area of concern. Foundations with volunteer boards that rely on pro bono work to manage invested funds or liquid assets held may be taking on unnecessary risks unless proper oversight is in place. Additionally, an argument could be made that local education foundations in Michigan should be doing more to financially support programming in their affiliated district now and holding less in an endowment for the future.

Examining the local education foundation disbursements by a percentage of their general fund expenditures will assist in evaluating their impact on the districts they support. Measuring local education foundation disbursements to their respective school districts as a percentage of the district's general fund expenditures will assist in controlling for the size of the district. Similarly, examining the amount of revenue disbursed by a local education foundation on a per-pupil basis will also provide a valuable piece of data.

The school district that received the most local education foundation support, as a percentage of general fund expense and on a per-pupil basis, was the Chassell Township Public School District. The Chassell Township Public Schools Education Foundation in Michigan's Upper Peninsula contributed \$37,658 to Chassell Township Public Schools,

representing 1.68% of its \$2,240,959 general fund expenditures. With a total student enrollment of 268 students, this equates to an additional \$140.51 per pupil.

Conversely, 51 of Michigan's 157 local education foundations raised funds but did not distribute any to their affiliated school district. Therefore, the distribution of local education foundation funds as a percentage of district expenditures ranges from zero percent and zero dollars per student to 1.68% of the district's general fund budget and \$140.51 additional per student. The statewide average local education foundation distribution as a percentage of district expenses was .15% and \$13.61 per student in additional funds.

Summary and Analysis Research Question One

The purpose of Research Question One and its corresponding sub-questions was to inform the study by developing a quantifiable basis for the number of local education foundations in Michigan and their financial impact on affiliated school districts. Local education foundations existed in 157 of 552, or 28.5%, of Michigan public schools during the 2008-09 fiscal year. This information indicates that foundations are active in the state but do not exist in a majority of public school districts.

A key purpose of local educational foundations is to raise revenue for their constituent school district. The individuals involved in local education foundations often volunteer countless hours and contribute financially to foundation initiatives with the purpose of those dollars supporting the school district. Continuing to build a quantifiable structure to analyze the impact of education foundations, a second sub-question was presented to determine how much revenue local education foundations actually generated. A review of each local education foundation's IRS Form 990 document

indicated that during the 2008-2009 fiscal year, Michigan's 157 local educational foundations raised \$9,074,442 in total. Revenues of \$9,074,442 in one fiscal year represent a median revenue of \$25,180 per foundation. A revenue figure of more than \$9 million and a median revenue of \$25,180 indicates that while local education foundations exist in only 28.5% of Michigan school districts, those districts are functioning and do generate revenue. The amount of revenue generated by local education foundations on a statewide basis suggests that the environment for local education foundations is positive and that they are, on a statewide basis, successful in generating funds as a nonprofit organization.

Thus far, the results of Research Question One have shown the number of local education foundations and the amount of revenue they generate. A third component of Research Question One in this study is to determine the financial impact of local education foundations on the districts they support. An analysis of IRS Form 990 documents from the 157 active local education foundations in Michigan indicates that \$4,541,191 was disbursed to the school districts they support. The remaining funds that each foundation generated were allocated to foundation operating expenses, the development of endowments or invested. The statewide median financial contribution by local education foundations to their affiliated school district was \$15,816. The largest contribution by a local education foundation to its affiliated school district was \$376,607. Some foundations reported no financial contribution to their affiliated school district. The statewide median of \$15,816 represents revenue that would not exist if the district did not have a foundation. However, it is necessary to continue the analysis of foundation revenue contributions to determine their actual impact.

Information from the Michigan Financial Information Database (FID) confirms the 157 school districts in Michigan that operated an educational foundation had cumulative general fund expenses of \$6,430,143,209, or \$40,441,152 per district average. When the total statewide education foundation contribution of \$4,541,191 is compared to the general fund expenditures of \$6,430,143,209 for the 157 school districts in Michigan with an operating educational foundation, the data illustrate an important financial reality of local educational foundations. The revenue generated by local education foundations operating in 157 school districts in Michigan represents one tenth of a percent of the total cumulative foundation district expenditures. School districts certainly welcome any type of additional revenue to support their programs. However, two key factors mitigate the additional revenue generated by local education foundations. First, the mean amount of revenue contributed to local school districts by educational foundations represents less than one tenth of a percent of those districts' general fund expenditures. Second, the additional revenue contributed by local education foundations may be designated to specific programs and not for a discretionary general fund contribution.

Research Question Two

Research Question One sought to identify the number of local education foundations that exist in Michigan public school districts. Two other important aspects of Research Question One identified how much revenue local education foundations generated and disbursed to their affiliated school district. The purpose of Research Question Two was to identify if relationships exist between certain school district demographic data and foundation activity. The answer to this research question will benefit the study to determine if any relationships exist between foundation presence and

district characteristics as identified by commonly accepted school district demographic data. To provide an organizational framework, the school district demographic information will be organized by several individual data variables, which include foundation age, school district size, presence of a school-affiliated nonprofit other than the education foundation, poverty rate, state funding levels, and student achievement.

Foundation Age as a Demographic Variable

A key theme that surfaced during the literature review for this study was the role the taxpayer revolt of the 1970s and 1980s played in the development of local education foundations. Legislative and judicial action across the United States sought to reduce property taxes during this period. As these property tax limitation initiatives were taking place, societal influences such as the publication of *A Nation at Risk* took center stage in the education arena and called for increased rigor in public schools. As noted in the literature, the number of local education foundations in California doubled during the late 1970s and early 1980s during the taxpayer revolt period (de Luna, 1995).

Table 4

Mean Incorporation Date of Local Education Foundations in Michigan

	N	Minimum	Maximum	Mean	Std. Deviation
LEF Incor Date	157	1947	2009	1993	9.234
Valid N (listwise)	157				

Table 4 indicates that the mean incorporation date of the 157 local education foundations in Michigan public school districts was in 1993. A historical review of local education foundation incorporation dates indicates that 37.5% of local education foundations were created between 1970 and 1990 in Michigan. In Michigan, 31 local

education foundations were created between 1985 and 1987. The taxpayer revolt of the late 1970s and 1980s began in California and moved east across the country. The incorporation dates of local education foundations in Michigan are consistent with what was occurring in the United States at the time as indicated in the literature.

The literature review for this study also addressed the role that Proposal A played in the development of local education foundations. Proposal A, passed by the Michigan legislature in 1994 and enacted in 1995, drastically limited local school districts' ability to levy additional taxes for operating purposes and maintain a substantial amount of local control over revenue generation. From 1994-1998, 21 of Michigan's 157 local education foundations were incorporated, accounting for 13.3% of the total local education foundations in Michigan. The period following the passage of Proposal A shows an increase in local education foundations in Michigan. It is also important to note that in 2007, ten local education foundations were incorporated, which reflects the largest individual incorporation year since 1992. These data suggest that as the automobile-influenced economy in Michigan began to decline in 2007 and taxable values began to drop, communities organized in an attempt to create alternative revenue vehicles for their schools.

When the age of a local education foundation is examined as a variable in conjunction with financial data, no significant correlations are found. There was no correlation between the incorporation date of the local education foundation and the amount of revenue it generates or the amount of funds it distributes to its affiliated school district. Additionally, no significant correlation was found between the amount of assets a foundation holds and its age. These data indicate that the age of the foundation does not

play a role in the amount of money it generates, disburses, or holds in some type of savings such as an endowment.

School District Size as a Demographic Variable

Michigan's 552 local public school districts ranged in size from two students to more than 100,000 students during the 2008-09 school year. In order to analyze the role that local education foundations play in Michigan schools, it is necessary to understand the influence of district size on foundation activity. Table 5 identifies that a significant negative relationship was found at the .01 level between district size as measured by student population and the presence of a local education foundation.

Table 5

Relationship Between Student Population and Local Education Foundation Presence

		Student Population	Foundation Presence
Student Population	Pearson Correlation	1	-.177**
	Sig. (2-tailed)		.000
	N	552	552
Foundation Presence	Pearson Correlation	-.177**	1
	Sig. (2-tailed)	.000	
	N	552	552

** . Correlation is significant at the 0.01 level (2-tailed).

Two possible reasons exist for this correlation. Given their smaller student population, these districts may have a closer-knit environment where the school district is the center of the community. Further, a smaller community may have a lower number of other nonprofits that a local education foundation would have to compete with for

donations. A second explanation for a foundation presence in smaller districts is economics. In a per-pupil funding environment like Michigan, smaller districts have fewer students and, therefore, generate lower revenue. A smaller district may view a local educational foundation as a device for funding items that a larger district could support out of its general fund revenue.

Presence of Other Nonprofits as a Demographic Variable

Competition exists among nonprofit organizations in communities for valuable dollars that donors are willing to spend for a cause or organization that they find important. When analyzing the activity of local education foundations, it is important to take other nonprofit organizations in the community into consideration. Other functioning nonprofits operating where a local education foundation does may diffuse giving and result in less revenue for the foundation's affiliated school district. A search of the IRS Form 990 database was conducted for school district-affiliated nonprofit groups that were not affiliated local education foundations. The purpose of this search was to determine the impact of other school-affiliated nonprofits on local education foundation giving.

Table 6

Public School Districts With Local Education Foundations and Another Nonprofit Presence in Fiscal 2008-09

		Frequency	Percent	Valid Percent	Cumulative Percent
Other	Yes	93	16.5	58.7	58.7
Nonprofit	No	66	11.6	41.3	100.0
Present?	Total	157	28.5	100.0	
Missing	System	398	72.0		
Total		552	100.0		

Table 6 indicates that of the 157 school districts that had an affiliated local education foundation, 91 had another nonprofit present while 64 did not.

No statistical correlation was found between those districts that had an affiliated local education foundation and another school-affiliated nonprofit present in the community with regard to revenue generation. This result suggests that local education foundations do not compete for donors with other school affiliated incorporated nonprofits such as band booster groups or parent teacher organizations. This result may also indicate that local education foundations have developed their own distinct marketing and identity that separates them from other nonprofit school support groups.

Poverty and Equity as a Demographic Variable

Table 7 indicates that districts with an affiliated local education foundation had a mean free and reduced-price lunch percentage of 41.5%. Districts without a foundation had a mean free and reduced-price lunch percentage of 51.5%. A key theme that was present in the literature was the impact that local education foundations have on equity among school districts. Reich (2005) argued that the purpose of philanthropy should be to help the poor, and foundations should not increase the revenue for affluent districts. Frankel and Merz Frankel (2007) reversed their initial opinion from a 1997 study and found that local education foundations did create inequity among school districts. A study by Brent (2002) found that local education foundations in New York and California contributed to inequity among school districts in those states. Specifically, Brent found that school districts with lower free and reduced-price lunch counts were more likely to have a local education foundation. Central to his finding was the view that, in school districts with higher free and reduced-price lunch counts, parents and community

members tended to volunteer their time at school and not make a financial donation.

Similar to the findings in New York and California by Brent (2002), districts with an affiliated local education foundation had lower free and reduced-price lunch percentages in Michigan as well.

Table 7

Comparison of Free and Reduced-Price Lunch Percentages in Districts with a Local Education Foundation and Districts without a Local Education Foundation in Fiscal 2008-09

Foundation Presence	Free and Reduced Price Lunch Percentage
Districts with a Foundation	41.5%
Districts without a Foundation	51.5%
Total Statewide Free and Reduced Price Lunch	48.5%

State Funding as a Demographic Variable

Since 1995, schools in Michigan have been funded on a per-student allocation known as a district foundation allowance. During the 2008-09 school year, the minimum foundation allowance from the state was \$7,204. No statistical correlation was found between the presence of a local education foundation and its foundation allowance from the State of Michigan. This result indicates that local education foundations are present in school districts with a variety of different state-appropriated funding levels.

Student Achievement as a Demographic Variable

The focal point of any school district is increasing and maintaining student achievement at a high level. Local education foundations seek to support student achievement. Several measurements of student achievement were used in this analysis to gauge performance at the elementary and secondary level. District student achievement information was collected from the State of Michigan Public School Education Dashboard. This database collects student achievement data on all Michigan public school districts. The first measurement of student achievement was the percentage of third- through eighth-grade students identified as proficient on the Michigan Educational Assessment Program (MEAP) examination in the areas of mathematics and science. A second measurement used in this investigation is the composite ACT score for the school district. The ACT is taken in 11th grade and the composite score for English, math, science, reading, and writing is included.

A correlation analysis was performed to determine if any relationship existed between the presence of a foundation in a district and the student achievement measurements identified above. A significant negative correlation was found in two of the three selected student achievement categories and is listed in Table 8. A negative correlation at the .01 level was found when the foundation presence was examined in conjunction with the third- through eighth-grade MEAP proficiency variable. The second significant correlation occurred at the .01 level between foundation presence in a district and the district's ACT composite score. No correlation was found between districts that have a local education foundation present and their high school graduation rate.

Table 8

Local Education Foundation Districts and Selected Student Achievement Scores in Fiscal 2008-09

		Foundation Presence	MEAP	ACT
Foundation Presence	Pearson	1	-.157**	-.277**
	Correlation			
	Sig. (2-tailed)		.000	.000
	N	550	529	502
MEAP	Pearson	-.157**	1	.744**
	Correlation			
	Sig. (2-tailed)	.000		.000
	N	529	529	502
ACT	Pearson	-.277**	.744**	1
	Correlation			
	Sig. (2-tailed)	.000	.000	
	N	502	502	502

** . Correlation is significant at the 0.01 level (2-tailed).

Summary and Analysis Research Question Two

Research Question Two was developed to determine if relationships exist between selected district demographic information and the presence of a local education foundation. Examining the relationships between selected demographic data and the presence of a local education foundation in a district will inform the study by determining whether local education foundations tend to be found in districts with certain

characteristics. From a practical standpoint, the results of this research question will assist school districts with existing local education foundations, as well as districts considering establishing a local education foundation. The variables of foundation age, school district size, presence of other school-affiliated nonprofits, poverty rates, state funding levels, and student achievement were investigated in conjunction with the presence of a local education foundation in the district.

The age spread of local education foundations in Michigan is 62 years in this study. Michigan's first local education foundation was incorporated in 1947 and the most recent in 2009. Consistent with the literature, an increase in foundation development occurred during the mid 1980s. Additionally, a more recent trend saw the development of local education foundations during the economic downturn of the late 2000s. This information indicates that economic conditions and an actual or perceived threat of diminished funding may provide impetus for the development of a local education foundation in a community. A negative correlation was found between district size and the presence of a local education foundation. While the correlation was small and correlation does not indicate causation, this information suggests that foundations tend to be found in smaller districts. The presence of another nonprofit affiliated with the school district was found not to have an impact on the revenue an affiliated local education foundation generates. This result may indicate that local education foundations have developed their own unique identity and niche that is separate from other school-affiliated nonprofits.

Federally funded free and reduced-price lunch programs are frequently used as a measurement for the level of poverty in a school district. The data indicated that school

districts with an affiliated local education foundation had 10% lower free and reduced-price lunch count than those without a foundation. This information indicates that local education foundations are found in districts with lower poverty rates as measured by free and reduced-price lunch counts. The issue of school funding was addressed as a variable. No relationship was found between school district funding from the state level and the presence of a local education foundation.

Finally, the relationship between student achievement variables and foundation presence was explored. Several significant negative relationships were found between school district standardized test scores and the presence of a local education foundation. This relationship, while technically statistically significant, does not imply that the presence of a local education foundation decreases student achievement.

In summary, this research question explored the relationship between the presence of a local education foundation and selected school district demographic measurements. A test for correlation found some weak but statistically significant relationships between the presence of a foundation and district size. This result suggests that local education foundations tend to be found in smaller school districts in Michigan. Other results include the finding that local education foundations have developed their own identity and are not significantly impacted by other school-affiliated nonprofits such as booster clubs and parent teacher organizations. School districts with a local education foundation present tended to be found in communities with lower free and reduced-price lunch counts. The results of Research Question Two indicate that the presence of a local education foundation does contribute to inequity, as local education foundations were found in districts with a lower poverty rate than those without a foundation.

Research Question Three

Research Question Three and its corresponding sub-questions were designed to analyze the district's organizational factors that impact local education foundations and determine how they do so. As noted in Chapter Three, a survey was distributed to local school district superintendents with an affiliated local education foundation in their district. Survey participants received an introductory letter, email with embedded survey link, and a follow-up email. The survey yielded a response rate of 54%, or 85 participants with 157 surveys distributed.

Results Research Question Three: Sub-Question A

How much time does the superintendent devote to local education foundation activity?

Table 9 indicates that superintendents spent an average of 3.6 hours per month on foundation activity. Several survey respondents noted that foundation activity did not occupy any of their time throughout the month. Conversely, one superintendent indicated that the foundation accounted for 15 hours of his/her work time each month.

Table 9

Minimum, Maximum, and Mean Number of Hours Per Month Superintendents Spend on Foundation Activities

	N	Minimum	Maximum	Mean
Number of Hours	85	.00	15.00	3.5864
Valid N (listwise)	85			

Local education foundation leaders may place demands on the time of a superintendent to participate in the foundation governance process and other foundation

events. Ninety-three percent of superintendent respondents indicated they believed that the local education foundation leadership expected their involvement in foundation events. Correspondingly, 94% percent of superintendents indicated that they also felt a personal obligation to be involved with foundation events as part of the community relations aspect of their job.

Results Research Question Three: Sub-Question B

What type of governance model do local education foundations employ based on McCormick's foundation governance model classification?

As noted in the literature review of this study, McCormick, Bauer, and Ferguson (2002) identified three different governance models for local education foundations. A board-controlled foundation model involves the board of education serving in a dual capacity as both board of education members and local education foundation board members. An embedded model of foundation governance based on McCormick's model calls for some type of superintendent representation on the foundation board of directors. Finally, an autonomous governance model does not provide for any superintendent representation on the foundation governance board.

For the purposes of this study, McCormick's model of embedded foundation governance included a slight modification in the survey sent to superintendents. Respondents who indicated that their foundation had an embedded form of governance were asked to further distinguish between an embedded model that included the superintendent as a voting member of the foundation board and an embedded model where the superintendent was an ex officio, nonvoting member.

The most popular form of foundation governance was the embedded model. The embedded model accounted for 91.4% of foundation governance systems. Local education foundations that used an embedded model of governance with the superintendent as an ex officio, nonvoting member accounted for 56.8% of the respondents, while 34.6% of foundations using an embedded structure indicated that the superintendent was a voting member of the foundation. Autonomous governance models were present in 7.4% of the local education foundations. The least prevalent model of foundation governance was found in the board controlled foundation model that accounted for only 1.2% of the respondents.

Results Research Question Three: Sub-Question C

How much influence or decision-making authority do superintendents have over foundation spending priorities?

Superintendents were asked if the local education foundation valued their opinion when setting foundation spending priorities. Ninety percent of superintendents responded by indicating that they very strongly agreed, strongly agreed, or agreed that the foundation valued their opinion when setting funding priorities.

As another measure of influence on foundation operations, superintendents were also asked about their ability to request that a proposed project not receive funding. Seventy-nine percent of superintendents indicated that if they were to request a project not receive funding, it would not be funded. The remaining 21% of superintendent responders indicated that they would not be able to halt funding for a project identified by the foundation if it went through the appropriate funding procedure at the foundation level.

Results Research Question Three: Sub-Question D

Do superintendents and local foundation leaders believe that local education foundations fund programs within the district on an equitable basis?

Seventy-four percent of individuals responding to the survey indicated that they very strongly agreed, strongly agreed, or agreed that that local education foundation funds programs within the district on an equitable basis. Eighteen percent of respondents indicated that their local education foundation did not fund programs equitably within the district.

Another metric of internal equity can be found in the type of programs that survey respondents indicated the affiliated local education foundation supported. Survey participants were asked to select the top four funding priorities of their affiliated foundation out of 17 choices listed. The 17 choices included a broad range of projects that foundations typically support, including arts, child development, classroom supplies, innovative programs, drama, English, field trips, foreign language, healthy lifestyle programs, library books, math programs, music, scholarships, science programs, social studies, athletics, and technology programs. The top four programs funded were new and innovative programs, selected by 85.5% of respondents; technology programs, selected by 63.9% of respondents; scholarships, selected by 56.6% of respondents; and classroom supplies and equipment, selected by 38.6% of the respondents.

Results Research Question Three: Sub-Question E

What, if any, positive influence has the LEF had on the affiliated school district?

Survey respondents were presented with six possible selections regarding positive influences of the affiliated foundation on their district. Eighty-eight percent of

respondents listed financial support as a positive influence of the education foundation. The foundation as a vehicle for community involvement was listed as a positive influence by 72% of respondents. Fifty-six percent of respondents listed the foundation as positive influence because it increased school district visibility in the community. Thirty-eight percent of respondents indicated that a positive influence of the foundation was to create a core group of volunteers to support the district when called upon. Networking with the business community and industry was selected by 31% of the respondents. Finally, the local education foundation as a group of individuals to lobby and advocate on the district behalf was listed by 14.5% of survey respondents.

Results Research Question Three: Sub-Question F

What, if any, negative influence has the local education foundation had on the affiliated school district?

Data were also collected from superintendents regarding the local education foundation's negative influences on the affiliated school district. Seventy-six percent of survey respondents indicated that no negative influence existed with the district's affiliated local education foundation. Survey respondents indicated that time commitment involved with the foundation was a negative influence. Sixteen percent of respondents listed time commitment as a negative influence for district superintendents.

Summary and Analysis of Research Question Three

Research Question Three and its corresponding sub-questions were designed to analyze the district's organizational factors that impact local education foundations and determine how they do so. Several factors that impact how the district and the foundation interact were explored, including the amount of time superintendents or their staff spent

on foundation activity per month, which type of governance model is employed by the foundation, what type of influence superintendents have on foundation spending priorities, superintendent's opinions regarding equitable funding by the foundation, positive influences that the foundation brings to the district, and negative influences that foundations bring to the district.

Research Question Three, Sub-Question A addressed the many demands that are placed on the time of a public school superintendent within the structure of the school district. The survey results indicated that the average amount of time a superintendent spent on foundation activities was 3.6 hours per month. Correspondingly, superintendent survey respondents indicated that they felt both a personal obligation and were also expected to participate in foundation activities. One of the main expectations of a superintendent is to be a leader in building relationships between the school and the community. The community relations component of foundation activity was also evident in the data collection, as 72% of the superintendents responding to the survey indicated that the presence of a local education foundation was a positive influence for the district.

Research Question Three, Sub-Question B, addressed the governance model that local education foundations employ. From a structural perspective, the governance model a local education foundation employs helps define its relationship with the school district. McCormick, Bauer, and Ferguson (2002) identified three different types of governance models for a local education foundation. The definition of foundation governance models ranges from what is termed a board controlled model, where school board members also act in a dual capacity as local education foundation's governing board, to a completely autonomous model, where there is no school board or superintendent presence on the

foundation's governing board. In the middle of the governance continuum is the embedded governance model that requires the local education foundation governing board to have the superintendent as a member of the governing body.

For the purpose of gathering more specific data, the traditional embedded model was modified as a part of the superintendent survey. When selecting the embedded governance model, superintendents were also asked to choose if they were full voting members of the foundation governance board or served in an ex officio advisory capacity. The distinction between an embedded governance model with the superintendent as a voting member of the foundation or in a nonvoting advisory capacity is important for several reasons. First, given the stature of the superintendent's position in the district, if they do have an official vote on foundation business, their vote may have the ability to formally influence others who have a vote on the foundation board if a secret ballot is not used. Second, while the size of the foundation governance boards may vary, the superintendent having a formal vote provides some indication that the district's interests are represented when the foundation makes decisions. Foundations that govern themselves with an embedded model where the superintendent is in a nonvoting capacity may have the same influence issues, but the embedded model with a superintendent voting provides a formal vehicle for the voice of the district.

Ninety-one percent of superintendents indicated that their affiliated foundation operated with an embedded governance model. Further analyzing the data, of the 91% of superintendents who selected the embedded model, 57% indicated that they had a presence in ex officio or nonvoting capacity, and 35% indicated that they had a formal vote on the foundation's governing board. These data suggest that the leaders of local

education foundations in Michigan certainly desire the participation of the superintendent in their governance model and have created formal structures to get it. However, the fact that a majority of the foundations using the embedded model stipulate the foundation governance system include the superintendent as an ex officio, nonvoting member may indicate the foundation's desire for some formal independence from the district.

Research Question 3, Sub-Question C was designed to investigate what influence, if any, the superintendent has on foundation spending priorities. From a structural viewpoint, a local education foundation that does not align their priorities and vision with the district could create major problems between the foundation and the district. As previously noted, many foundations have some type of method for the superintendent to be represented via an embedded model of governance. However, given that the local education foundation is a separate entity from the district, it could technically have different funding priorities. The ability for a superintendent to have some informal method of influence on foundation spending priorities was investigated. The survey results indicate that regardless of the governance structure that exists within the foundation, superintendents believe that the foundation values their opinion. Ninety percent of superintendents indicated that the foundation valued their opinion when it came to setting funding priorities. Additionally, seventy-nine percent of superintendents indicated that the local education foundation would withdraw support for a project if they requested it.

These data suggest that both a formal and informal structure exist when examining the relationship between the local education foundation and district administration. The literature discussed in this study and the data gathered to answer

research questions all indicate that various formal governance structures exist with different degrees of administrative involvement. However, the survey data also indicate that superintendents believe they have an informal influence on foundation operations with respect to project funding. Seventy-nine percent of these survey respondents indicated that a request from their office to withdraw funding for a project would be honored, suggesting a possible type of veto power over foundation spending priorities.

Research Question 3, Sub-Question D addressed local education foundations and the issue of internal equity. Seventy-four percent of survey respondents indicated that their affiliated local education foundation funded district programs on an equitable basis. Survey data were also gathered regarding the primary funding priorities of local education foundations. Survey respondents indicated that the top funding priorities of their affiliated local education foundation were classified as new and innovative programs, technology programs, scholarships, and classroom equipment. The categories of these top funded priorities are broad and open to interpretation. However, survey respondents were presented with options that were subject or activity specific as well such as art, science, social studies, or athletics. None of the subject- or activity-specific items were selected as one of the top four spending priorities. The lack of subject- or activity-specific funding priorities may suggest that local education foundations are attempting to fund projects on an equitable basis. Equity in funding could be considered a concern if very specific items such as art or science were listed as top funding priorities. By funding subject- or activity-specific areas each year, a local education foundation could be contributing to inequity within the district versus attempting to fund a broad range of programs and spreading resources.

Research Question Three Sub-Question E was developed to determine the positive influences of local education foundations as determined by school district superintendents. The analysis of the survey data revealed several important points regarding the positive influence that a local education foundation brings to its affiliated school district. First, 80% of respondents indicated that the foundation was a positive influence on the school district due to its financial contributions. Financial contributions by the foundation to the district would be expected to be a positive influence. Second, 72% of respondents noted that a positive influence of the local education foundation was its ability to create a vehicle for community involvement. It is critical to note that the community involvement aspect of a local education foundation was almost as important as the financial contributions of the foundation based on the survey data. Foundations tend to draw publicity for their donations to the school district using press releases and public events to showcase these donations. However, as noted in Research Question Two of this study, the contributions of the local education foundation does not account for a high percentage of district revenue. The data gathered for this sub-question suggest that while foundation contributions are important, individuals view a foundation's community relations aspect as an important positive influence as well. These data contribute to the concept that foundations serve not only as a revenue generator for the district but also as a device to building important relationships with the community.

Research Question Three Sub-question F was designed to address the negative influences of local education foundations. Seventy-six percent of local school district superintendents indicated that no negative influences existed with regard to the presence of a local education foundation in their district. When negative influences were present, it

was in the area of time commitment. A minority of respondents indicated that local education foundations presented a negative influence in the area of district administrative and clerical staff time commitments. These data suggest that superintendents overwhelmingly see no negative influences with a local education foundation operating in their district. The data regarding time commitment as a concern are not unexpected given the number of responsibilities that a local school district superintendent is charged with.

Qualitative Data via Semi-Structured Interviews

Qualitative data were gathered to further augment this research study and answer research questions presented by conducting interviews with foundation officials and superintendents who work closely with their affiliated local education foundation. The detailed interview methodology was addressed in Chapter Three of this study. To briefly review, two local school district education foundations were purposefully selected for semi-structured interviews. Patton (2002) defines purposeful selection as using identified criteria appropriate to the research to select interview subjects. In the case of this study, foundation officials and school district superintendents were selected based on several criteria. First, the survey data indicated that 97% of Michigan school district foundations use an embedded model for foundation governance. Foundations with this popular method of governance were selected. A second criteria used for the selection of interview participants was the size of the district. Third, districts with varying per-pupil student foundation allowance allotments from the Michigan Department of Education were selected. Finally, the districts selected for the qualitative data-gathering portion of this study both had a professional paid director, which is a relatively new concept in

Michigan's local education foundation environment and an area in need of further research.

Purposeful selection of interview subjects does provide some limits to the data gathered, and these should be acknowledged. An effort was made to select interview subjects from school districts with varying populations. The interview subjects were selected from larger districts in the state. While the student populations of the districts are not equal, they do have somewhat similar enrollments on a per-pupil basis. It should also be noted that both districts purposefully selected have different per-student foundation allowances; however, these foundation allowances are above the state minimum. With the above indicated limitations noted, the personnel in districts are valuable interview subjects because their foundations are high functioning, active in the community, have established governance models, and will provide insight into best practices for local education foundations in Michigan.

As indicated in Chapter Three of this study, qualitative reliability and trustworthiness will be ensured by triangulation of data and the use of rich thick description. To briefly review, Glesne and Peshkin (2002) indicated that multiple sources of data, or triangulation, should be used for qualitative research. The data gathered from the semi-structured interviews were informed by several additional sources of data. First, foundation meeting agendas, meeting minutes, newsletters, and annual reports were reviewed for each local education foundation prior to the qualitative interview. A second source of data used to inform the qualitative interviews was the IRS Form 990 financial documents from each local education foundation involved in the interviews.

Merriam (2009) indicates that rich thick description involves the use of data in the

form of field notes, direct quotes, and other supporting documents. The purpose of rich, thick description is to ensure that readers can determine whether the findings match their own situations, and therefore information can be transferred. The presentation of qualitative data will include direct quotes and be supported by additional data ensuring rich thick description.

Each district had two separate one-hour interviews scheduled with their superintendent and the executive director of the foundation. Interviews were taped and subsequently transcribed. Each interview began with a description of the research project and the subject signing an informed consent document approved by the Eastern Michigan University Human Subjects Review Committee. The purpose of the interview was to assist in answering the research questions presented in the study.

Preparation for Qualitative Interviews

In order to ensure that the triangulation of data (Glesne and Peshkin, 2002) and the use of rich thick description (Merriam, 2009) for the qualitative portion of the study would take place, several additional pieces of qualitative data were analyzed. First, copies of the governance documents for each foundation were obtained and examined. The purpose of reviewing the foundation governing documents was to gain insight into the organizational structure and governance system in each foundation to assist in triangulating the data collected from the qualitative interviews. Foundation A's governing documents included a copy of their formal articles of incorporation with the Michigan Department of Labor, Growth, and Economic Development. The governing document consisted of 23 pages and included topics such as criteria for selecting foundation board members, explanation of committee structures, ethics statements, investment policies,

and the requirement for an annual audit. School district representation was also delineated in governing documents by identifying the superintendent as a standing member of the foundation's board of directors.

The governing documents from Foundation B consisted of 13 pages and less detailed governance language. The terms of membership for the foundation board were outlined as well as the process for replacing foundation members who resigned. Similar to Foundation A, the superintendent was named by title as a standing member of the foundation board of directors but documented as an ex officio participant only. The governing documents from Foundation B did not include any kind of formal committee structure as Foundation A did. However, the governing documents from Foundation B included specific language regarding the process of forming committees as necessary. Additionally, Foundation B did not include any type of financial policies like Foundation A did, which addressed audit requirements, cash handling, and conflict of interest statements. The governing documents from both foundations had specific legal citations, which suggest that an attorney formally prepared them. In reviewing both sets of governance documents, the job duties and procedures for hiring and firing an executive director were also present, which would be critical in a professionalized foundation. In summary, while these foundations had slightly different governing documents, they both outlined a formal governance structure that outlined how the foundation would organize itself and interact with the district. These written artifacts provide qualitative data to inform the study and augment the information gathered in the semi-structured interviews.

A second source of qualitative data to ensure triangulation and rich thick description was also employed. The mission statement of each foundation was reviewed.

The mission statement for Foundation A included some key terminology that described a supporting “technology and innovative programs” as well as “helping all students reach their full potential.” Foundation B’s mission statement also identified its purpose as “providing innovative and excellent opportunities for all students.” The concept of a foundation supplementing a school district with additional programs and not supplanting existing general fund revenue was present in both mission statements. Foundation A’s mission statement indicated it would support “programs not funded by the existing school budget,” and Foundation B indicated that it would “provide opportunities that cannot be funded out of the core budget.” Another key concept that was present in the mission statement of each foundation was the importance of building strong community relations. Foundation A stated that part of its mission was to support the school district and, in turn, the “progress of the community.” Foundation B’s mission statement addressed community relations by describing itself as an organization “grounded in the community.” A mission statement helps an outsider identify the priorities of an organization. In this study, both foundations focused on innovative programs, impacting all students, community relations, and supporting items not able to be funded by the existing district budget as its mission.

A connection to the quantitative information for this study becomes evident when examining both foundations’ mission statements and provides a point for triangulation of data. Superintendents indicated in their survey responses that the top funded item by their affiliated foundation was new and innovative programming. The foundation listing innovating programming in its mission statement also links to Kearney’s (1984) concept of an educational foundation supporting innovative ideas and excellence in its constituent

district, as noted in the literature review for this study. A second connection to the quantitative data for this study also surfaced during the examination of foundation mission statements in the area of community relations. The local education foundation as a device for building relationships with the community was listed as one of the top positive influences by superintendent survey responders. Correspondingly, each foundation mission statement examined indicated the importance of a close connection with the community. The data analyzed for this survey indicate that local education foundations provide minimal financial support. However, both the quantitative and qualitative data collected for this study indicate that both the local education foundation and superintendent place an emphasis on the value of the foundation supporting community relations as evidenced by survey responses and a review of foundation mission statements.

Examining the governing documents and mission statements of both local education foundations selected as qualitative subjects provided several benefits to the study. First, using qualitative data such as governance documents and mission statements as a source of data provides more information to assist in understanding how local education foundations function. Second, reviewing artifacts such as governing documents and mission statements provides a context for interview responses and helps begin to frame qualitative data themes in the study. Finally, using governance documents and mission statements as a data source allows for an anchor point to triangulate the qualitative data with semi-structured interviews and quantitative data as well.

Demographic Overview of Selected Districts

District A has a student population of 17,859 pupils. District A received a foundation allowance of \$8,746 per student from the Michigan Department of Education during the 2008-09 school year. The local education foundation in District A was incorporated in 1993. District A's foundation has had a professional paid director since July 1, 2008.

District B has a student population of 16,517 pupils. District B received a foundation allowance of \$9,434 per student from the Michigan Department of Education during the 2008-08 school year. The local education foundation in District B was incorporated in 1991. District B's foundation has had a professional paid director since July 1, 2006.

Qualitative Prompt One

Can you tell me about the history of the education foundation?

The Executive Director for Foundation A stated:

The foundation was developed in 1993 for the purposes of supporting the district. At that time it was designed to bring what many perceived as extras to the district and was led by a volunteer organization. It was well intended, but there was a lot of turnover by foundation members. As the economy fell apart during the 2007-08 school year, the foundation board felt like they were ready to hire a paid director to manage the foundation to support the schools. In regard to our history, we had a pre-Executive Director period and now our post-Executive Director period within the foundation. I now view the organization as a profit center for the district.

The Superintendent in District A also discussed the changes in the foundation:

The district had a difficult choice to make regarding some changes in the foundation. We were presented with a plan where the foundation would hire and pay a full-time Executive Director and requested \$50,000 per year from the district for three years to fund the position. I saw this as a short-term financial investment for a long-term financial gain for the district. Ultimately, the district agreed to fund it (paid director position) for two years and not three.

The Executive Director for Foundation B stated:

Before taking this position I was on the foundation board of directors as a volunteer for many years. In the years prior to Proposal A and after it passed, the McCormick Group made a presentation to the county superintendents group several times to offer consulting services to set up the foundation. Our district jumped on board and started a foundation. At that point the foundation's mission was defined by the board membership that was transient. I don't mean transient in a necessarily negative sense, but the interest level of parental involvement changed as their students moved through the district.

The Superintendent B discussed the foundation's early period:

I was a principal at the time the foundation began and no one really knew what it was supposed to do. Many viewed it as a district wide parent teacher organization, some viewed it as competing with individual school parent teacher organizations. It made me nervous that this group, which changed leadership frequently, was using the district's name. Also, after speaking with them, they did not have a good grasp on what was involved from an IRS standpoint. I moved into the central office in the early 2000s and worked with the foundation to shore up some of these issues. Of course, things have dramatically improved with a paid director. The director started as a fractional position for a with a \$10,000 salary and has worked her way into full-time with no financial support from the district.

Qualitative Prompt One Analysis

The responses of this qualitative prompt one identify a key theme when examining local education foundations. Both foundation directors indicated that prior to their appointment to a paid executive director position, the foundation governing board was unstable and composed of volunteers. It would be expected that volunteers might have less of a commitment than a paid staff person who is solely dedicated to operating the foundation. The response of the superintendents also indicates that their foundations were disorganized when operating with a volunteer board. Foundations that are unorganized may also be perceived as such in the community, which could be a barrier to attracting donors. This information suggests, that despite a strong commitment by volunteers to operate a foundation, its financial impact may reach a ceiling or plateau

using only volunteers and not considering paid staff. Last, all of the interviewees mentioned that when the foundation made the decision to hire a paid director, seed money from the district was necessary.

Qualitative Prompt Two

Can you discuss what the relationship is between the district and the foundation?

The executive director for Foundation A presented a copy of the foundation mission statement and then made the following comments:

We exist for the sole purpose of supporting the school district. When I say support, I do mean financial support. Our bylaws require the superintendent and a building administrator to be a member of the foundation board with an equal vote like everybody else on the board. One of the things that I did when I started was review and update our governing documents to make clear that we were a separate entity from the school district. Our charter makes very clear they types of programs that we will and will not support. I can't ask donors to fund items that they feel the school district should pay for as part of its own mission.

Superintendent A reiterated the intentional divide between the foundation and the district:

When I started as superintendent and first met with the foundation director, it was made very clear to me what they did and did not do in regard to funding. The director used a section of their charter that addressed the funding priorities of the foundation and walked me through it. To be honest, I was a little taken aback by the way it was presented; it was very forceful. I understand now that the foundation needs to take the approach to maintain its credibility and agree with it. I attend meetings and provide input, but the way that it is structured, I am almost just another board member. I don't have the ability, as a superintendent, to tell them no. I have to follow their rules, which can be a bit frustrating.

Foundation B's executive director also referenced their governance documents:

Structure is so important to operating a successful foundation. Many people believe that the lottery and tax dollars are all that is required to fund schools. I educate them that we need more than the normal funding source, build relationships, and talk about district needs. The way that I view it, because I am asking for more than the required tax dollars, I need to be seen as not having a direct connection for the district. The foundation can't be viewed as a revenue machine for the district; people already know they provide their tax dollars to operate the schools. When I ask for money initially, I bring our bylaws and demonstrate how we are affiliated [with] but separate from the district.

Superintendent B described the relationship between the district and the foundation:

They are separate; they have to be in order for it to work. People don't want to hear from me, another administrator, or a board member that the district needs additional funds. I believe that it is acceptable for me to discuss the need for additional funds with legislators and Department of Education folks in Lansing, but as a district administrator, I can't stand up and ask for donations. I only sit on the board in an advisory capacity.

Qualitative Prompt Two Analysis

The responses to qualitative prompt two indicate how important the foundation's governance model is to its operation and relationship with the district. Foundation officials and superintendents, when referencing governing documents, used several different terms. Terms such as bylaws, charter, rules, and policies were all employed by interviewees to describe the formal structure that exists within these governing documents. The governance structure of the foundation and its formal relationship with the district is codified within these rules. It was clear that the foundation officials valued these formal structures as a way to define their role and the foundation's relationship with the district. The superintendents were not as passionate about the importance of the governing documents, but understood the importance of having this structure in place. The focus on these documents as a formal tool for operating the foundation and establishing the relationship between the district and the foundation was viewed as a factor critical to success.

Qualitative Prompt Three

How does the foundation identify funding priorities?

Foundation director A responded:

Well, I just got done telling you how we have things in place to make sure that we are separate from the district and now I am going to tell you something that might be different. Our funding priorities have to be aligned with the district; our charter calls for it. We try to develop a theme each year for funding. For example, three years ago it was language arts, last year it was technology, and this year it is athletics and enrichment programs. Our board develops this theme on its own, and the district knows that is our focus for the year. This helps our foundation stay on track because it gives us a topic to latch onto. The final factor we look at is impacting every student. Any project we fund must hit every kid. We never want to make a practice of only supporting one particular group of students.

Superintendent A also discussed the thematic approach of the foundation:

They develop a funding theme that everyone sees is carried through the year. One of the things that I try to do is keep the theme focused on district needs. As I mentioned before, my input is limited in funding priorities. However, I try to make sure that what they select for their theme and support will mesh with the district. One of my major concerns is always looking out for the establishment of an initial program or purchase that the district might be expected to fund for years out.

Foundation director B presented a more formalized system for funding priorities:

How we arrive at our funding priorities is spelled out in our bylaws. Our driving forces for funding is the school district strategic plan. We look at every project in the context of the district strategic plan because that is the blueprint for the district and we look to support it. Additionally, we have moved to a giving cycle on an annual basis. For example, in the summer prior to the 2008-09 school year the district provides us with its requests for the 2009-10 school year. We spend 2008-09 school year raising money for 2009-10. This way the district has to put some forethought into what they ask for and it provides the foundation with time to identify what we will plan on funding for the upcoming year and gives us that time. We do not initiate any ideas for projects; they all come from the district and we pick what we can do and make plans to fund it. This way we know the district will support the project, because it is their idea. Each project has to be widespread enough to be felt across the district. I have conversations with principals and parent groups a lot on this issue. They make impassioned pleas to help low reading level kids, for example. I understand that and discuss it with them, but that type of project does not affect every student. I have found that there are three methods that foundations use for establishing priorities. One is the method we use, where the district turns over a list to the foundation. The second method is where the foundation identifies projects, funds them and expects the district to implement them without ownership in the process.

The third model is a type of model where anything goes and there is no establishment of priorities.

Superintendent B discussed the process used for establishing funding priorities:

The foundation had a very specific process it follows and they always ask the district. One thing I will say about the foundation is that they followed our lead and what we wanted. The first couple of years when they asked what our needs were, some administrators did not take it so seriously. The following year when projects around them were being funded, then they asked and it was too late because of the funding cycle. Now it takes a lot more time for us to come up with needs because everyone knows if the process is not followed, it won't get funded.

Qualitative Prompt Three Analysis

Question Three demonstrated that each foundation has its own method of establishing funding priorities. Continuing a theme from the previous prompt, there was a reliance on processes. Additionally, both foundation executive directors indicated that a process was important so that the perception of favoritism or politics would be avoided. Foundation A identified enrichment and athletics as a theme for funding. Conversely, Foundation B indicated at the outset that they would not get involved in any athletic projects because of concerns about the politics involved. Foundation A employed a theme-based approach by focusing on a topic for the year and building funding priorities around it. Foundation B asked for funding requests a year in advance so it could develop and prioritize a funding strategy. Both foundations used a formal method for establishing funding priorities, but each did it differently. This information indicates that formal methods to establish funding priorities are important but may vary by district. A final theme of equity surfaced in the interviews. Each foundation director was committed to ensuring that funded programs would impact all students and not just those from a selected group. This commitment to equity also helps establish credibility for the foundation when soliciting donations. Finally, the commitment to the foundation funding

projects in the district on an equitable basis by the foundation Executive Directors aligns with the data collected from the superintendent survey regarding their views on intra-district equity.

Qualitative Prompt Four

What role do you think the foundation will play in the future?

Foundation director A discussed the next five years for the foundation:

I feel that the next five years will be critical. We are moving into a stage where we have good processes in place. Those processes need to be continually tweaked and adjusted, but the focus can now be on continuing to build those critical relationships with donors. I have a couple of major goals. I want to continue to develop an endowment fund. Right now we operate on a year-to-year basis and we are mature enough to look at endowments and planned gifts now. I want to break down barriers with other groups in the district and we are established enough now to do it. I would like to work to be an umbrella organization for parent teacher groups and booster groups. We could bring them in under our umbrella and leverage their resources while keeping their autonomy. They are very territorial, and this would be a challenge. Local district foundations are growing, and I would also like to see a statewide group of ED (executive directors) develop to share ideas and grow the profession.

Superintendent A addressed how the foundation may help with the unknowns in funding:

We will continue to look to the foundation to help us as a district. In the past, local education foundations have supported the extras in a school district and provided enrichment. I think that we are going to be in position where foundations are not going to be seeking out the extras, but helping us keep some of the essentials.

Foundation director B addressed the need for a statewide organization in the future:

This is an emerging area of public education. There are a lot of well-established foundations, particularly in Texas and California, that I communicate with on a regular basis. They have a statewide presence and a professional organization; we need to do the same here in Michigan. I usually get a call per month from another district asking about how we are set up and thinking about hiring an executive director. Looking forward, I know that the funding from Lansing to operate schools is not going to improve. My job and the role of the foundation will be challenged when it comes to funding requests. I am going to have to continue to communicate to folks what our mission is as the state cuts funding. Our district cut some textbook purchases last year for example and my phone rang with requests for textbooks. I had to remind the caller that we do not provide the funding for items that the state expects the district to fund. It will be a process of continual education. I want to reach out to business and connect their interests with our

interests. For example, I want to meet with tech companies and talk about how the foundation can be a partner for getting involved with the schools.

Superintendent B indicated that the foundation will continue to be a resource:

Our foundation is very valuable and we recognize that. We will continue to see cuts from the state and I believe the foundation will be called on to fill that breach in funding. We need to continue to work them to support our district. One of the things that I need to a better job of is letting people know about the foundation; it is a way for people to get involved. People are looking to be a part of the schools, and the booster club or parent group may not be their thing, and we need to continue to recruit good board members. Our foundation is functioning well but we need to keep succession planning in mind.

Qualitative Prompt Four Analysis

One theme that surfaced from this qualitative prompt was the desire to develop a professional organization for foundation directors. Foundation Director B indicated that within his/her informal network, 20 Michigan school districts had paid foundation directors, and she believed that this number is growing. Professional organizations for foundation directors exist in areas of the country where local education foundations have been present for a long period of time, and it is logical that they would form as foundations grow in Michigan.

Another theme that developed through this qualitative interview prompt was a concern about state funding cuts for school districts impacting the work of local education foundations. The qualitative data indicate that local education foundations value their independence and credibility as an organization external to the school district. Foundations have developed substantial policies to define the scope of their funding and to ensure that they are supplementing not supplanting school district revenues. However, as state cuts to local school districts continue, foundations may be relied on to provide more traditional types of support. Should this occur, foundations would have to alter their relationships with school districts and their purpose in general.

Qualitative Themes

As previously noted, numerous artifacts from local education foundations provided a basis for the qualitative data gathered in this study. Reviewing the selected foundation governance documents, mission statements, and IRS Form 990 documents all provided data to inform the qualitative interviews. Several themes developed in the foundation documents that continued through the qualitative interviews that assist with providing triangulation of data. These qualitative themes include the importance of governance structure, a mission statement focused on impacting all students, the foundations connection to the community, and foundation funding philosophy.

Survey data collected for this study indicated that 91% of local education foundations in Michigan use an embedded form of foundation governance based on McCormick's (2002) classification. The embedded form of governance model provides for superintendent representation on the foundation board of directors in either a voting or non voting capacity. A review of both governance documents from Foundation A and Foundation B indicated specific language that provided for superintendent representation on the foundation board of directors. This information provides for a practical application of the embedded governance model and a connection to the data gathered in the survey. The governance documents of the two foundations selected were very formal. Foundation A's bylaws also included their official incorporation papers filed with the State of Michigan. This formality and focus on governance structure was also evident in the qualitative interviews. Both foundation directors had a copy of their bylaws and governing documents on hand as the interview took place and referenced them frequently. When asked about the relationship between the district and the foundation, the

foundation directors pointed to their governance documents and addressed what formal systems existed for district participation in governance. The survey data indicated that an embedded model was the most widely used form of foundation governance. Qualitative data from foundation governance documents and interviews also continued the theme of district involvement in foundation activities. The lengthy sections of foundation documents that outline the governance model and the foundation director's reference to their importance in the semi-structured interviews indicate that governance structure is a key qualitative theme in this study.

A second qualitative theme that developed in the review of foundation documents and continued in the semi-structured interviews was the importance of funding programs that impact all students. As noted in the quantitative data, superintendents indicated that the foundation funded a broad range of programs and not specific grade levels or certain subject areas. An examination of the foundation mission statements also indicates that equitable funding within the district is a priority. Foundation A's mission statement referenced "helping all students reach their full potential." Similarly, Foundation B's mission statement stated that "providing innovative and excellent opportunities for all students" was important. Both foundation mission statements addressed the need to impact all students and this theme was evident in the semi-structured interviews as well. The executive director for Foundation A stated that a key criterion for funding a program is that "it (the program) must hit (impact) every kid" and "we don't just focus on one group of students." Continuing the developed from the survey data and foundation mission statements, the executive director for Foundation B noted that she would often hear impassioned pleas from principals to fund programs for struggling readers. She

would sympathetically respond that the foundation only supports programs that impact every student. Funding programs that support all students is admirable notion supported in the quantitative and qualitative data collection for this study. However, both executive directors acknowledged that focusing on initiatives that impact all students helps avoid any accusations of favoritism in funding. Additionally, both directors indicated that a mission statement addressing programs that support all students assists with building donor relationships, as most individuals prefer that their dollars impact as many students as possible versus a limited area. The theme of funding programs equally and impacting all students is a concept that developed through the survey data collection, continued through a review of the foundation documents, and was evident in the semi-structured interviews.

The local education foundation as a device to engage the community was a third qualitative theme that surfaced. The quantitative data for this study indicated that local education foundations contribute an additional \$13.61 per student, which may provide only minimal impact. However, the local education foundation as a vehicle to engage the community presented a nonfinancial benefit for the district. Individuals responding to the superintendent survey indicated that the second most positive aspect of a local education foundation was its ability to build relationships with the community. This theme was present in foundation governance documents and in the semi-structured interviews also. Foundation A's mission statement indicated that the organization would help support "the progress of the community." Foundation B's mission statement notes that the group will "be grounded in the community." Both of these mission statements demonstrate the local education foundation's commitment to community relations. The foundation directors

also continued the theme of community involvement. The director for Foundation A indicated that he wanted to “reach out and engage community groups and build partnerships with organizations like the Chamber of Commerce.” During the semi-structured interviews, one foundation director indicated that during his first year he only met with community members and did not solicit any donations, emphasizing the theme of community relations. The executive director from Foundation B indicated that she has begun to reach out to members of the corporate community in the district as a new possible donor base beyond parents and alumni. Superintendent A also acknowledged the role that a local education foundation plays in building community support, saying, “When we went for a \$125 million facilities bond, the first group that I used as a sounding board was our foundation and I tapped a number of the members to lead a citizens committee once the board approved the initiative.” Superintendent B also signified that the community relations aspect of a local education foundation was beneficial by stating, “They are a group I call on a lot, along with our PTO and booster clubs; it’s another well organized community group.” While the quantitative data regarding revenue disbursement by a local education foundation to its affiliated district does not indicate a large financial benefit, the community relations aspect of a local education foundation developed as a critical theme in the quantitative data collected throughout the study.

A final qualitative theme that was developed during the data collection was the philosophy that each local education foundation employed regarding project funding. Both sets of mission statement documents indicated that that the goal of the foundation was to supplement and enrich the school district by providing support for programs

outside the traditional general fund. Specifically, Foundation A's mission statement indicated that "programs not funded by the existing school budget" would be supported. Correspondingly, Foundation B's mission statement noted that the foundation would "provide opportunities that cannot be funded out of the core budget." A central concept in both mission statements is that the foundation should be thought of supplementing, not supplanting, the existing district budget. Foundation directors were guarded when they addressed supporting programs or supplies that they felt should be traditionally funded out of the school budget. The executive director for Foundation B stated that after her affiliated district cut its textbook budget, she began receiving requests for textbooks, normally supplied by the district. The director stated, "I had to remind the individual that we do not provide the funding for items that the state expects the district to fund." The director from Foundation A indicated that the integrity of the foundation is "on the line" when it comes to crossing over into supporting general fund items. Specifically, he stated, "The foundation's credibility could be called into question, if it is seen as funding items that tax dollars should." Both foundation directors also referenced not only their mission statement regarding the supplemental programs they provide but also their bylaws, which have similar language protecting the foundation from supplementing or replacing lost general fund revenue. The two foundation directors interviewed felt the need to emphasize that their organization's funding philosophy is based on enhancing supplementing programs, not replacing reduced state-allocated revenue. However, Superintendent A provided a possible insight into how foundations may be viewed by their affiliated district in the future by saying "I think that we are going to be in position where foundations are not going to be seeking out the extras, but helping us keep some of

the essentials.” The foundation artifacts as a source for qualitative data regarding funding philosophies and the guarded responses of the foundation directors when discussing the possibility of the foundation supplementing the general fund indicate a key theme in this study.

In synopsis, the qualitative data for this study was informed by a variety of sources including a review of foundation governing documents, mission statements, IRS Form 990 documents, and semi-structured interviews. The foundation governing documents and mission statements were reviewed to prepare for the semi-structured interviews with foundation officials and district superintendents. Several themes developed as the foundation governing documents and mission statements were reviewed. Gathering qualitative data from foundation governance documents and mission statements provided insight into themes such as the importance of a formalized governance structure, funding programs that impact all students or inter-district equity, community relations, and a fund philosophy of supplementing, not supplanting, district revenue. These themes continued to be present throughout the semi-structured interview portion of the study and provided additional qualitative data. In summary, the use of survey data, qualitative data from reviewing foundation documents and semi-structured interviews provides triangulation and rich, thick description to help contextualize the qualitative themes developed in the study.

Chapter Summary

The purpose of this chapter was to present the data necessary to answer the study’s three research questions and clarifying sub-questions. Quantitative data were presented and analyzed to provide the descriptive data necessary for Research Question

One. Selected school district demographics were investigated and analyzed from a comparative standpoint between districts with an affiliated local education foundation and those without a local education foundation to answer Research Question Two. Survey data were presented and analyzed to answer Research Question Three and its corresponding sub-questions. Finally, data gathered from semi-structured qualitative interviews with foundation officials and school district superintendents provided an additional source of information to expand upon the information previously presented to answer the research questions.

Chapter Five:

Summary of Findings, Conclusions, and Recommendations for Further Research

Introduction

Chapter One of this study presented a problem statement and identified the need for this study. School districts in Michigan have realized significant reductions in their foundation allowance allotment from the State of Michigan in recent years. Public school districts are continually looking for additional ways to increase their revenue to provide the best possible education experience for their students. Many school districts in Michigan have developed local education foundations as a device to generate additional revenue for the district. This study was designed to analyze local education foundations as alternative revenue streams for Michigan public school districts.

Three research questions were developed for this study and were introduced in Chapter One. Corresponding sub-questions were added where necessary to provide further detail. Research Question One was designed to quantify the number of local education foundations in Michigan and analyze the amount of revenue they raised and disbursed to the school district. The purpose of Research Question Two was to investigate relationships based on selected demographic data between districts in Michigan that have a foundation and those that do not. The third research question was intended to analyze the cultural and structural factors that impact local education foundations and their relationship with the affiliated district.

Chapter Two of the study included a comprehensive literature review. Literature relevant to the study was reviewed and organized into several different themes. Political, societal, and governance themes surfaced during the literature review as important

aspects of how foundations grew historically and how they function today.

Chapter Three contained the design and methodology of the study. This study was completed using a mixed method approach. A quantitative database was built using Statistical Package for the Social Sciences (SPSS). Primary data were obtained from the Internal Revenue Service, Michigan Department of Education Bulletin 1014, the Michigan Department of Education Financial Information Database, Michigan Department of Education State School Aid Reports, and the Michigan Public School Education Dashboard. Quantitative data for each field were manually inputted, and SPSS was used to analyze the data to answer Research Questions One and Two. Data were gathered from a survey of school district superintendents who have an affiliated local education foundation. Additional qualitative data in the form of semi-structured interviews with superintendents and foundation officials from two purposefully selected districts were also part of the study methodology.

Chapter Four presented the quantitative and qualitative data analysis of the information collected. Research Questions One, Two, and Three were individually presented and followed up with appropriate data analysis to answer them. Finally, this chapter will present the summary of findings, conclusions for the study, and recommendations for further research.

Summary of Findings Research Question One

Data gathered for Research Question One indicated that 157 local education foundations existed in Michigan during the 2008-09 fiscal year. On a percentage basis, 28.5% of Michigan public school districts had an operating local education foundation registered with the IRS during 2008-09 fiscal year. The active local education

foundations in Michigan raised \$9,168,393 or a median of \$25,180 during the 2008-09 school year. Local education foundations during the 2008-09 fiscal year distributed \$4,541,191 to their affiliated school district, with a median disbursement of \$15,816 per foundation. After disbursing funds to their affiliated school district, local education foundations use the remaining funds for operating expenses, investments or endowments. The financial data were also analyzed using a per-pupil calculation to provide a clearer picture of the local education foundation's financial impact. The per-pupil funding spread by foundations ranged from no additional dollars to 140 additional dollars per student. The statewide mean contribution per student by local education foundations was \$13.61 per student. McCormick, Bauer, and Ferguson (2002) concluded that at least \$20.00 in additional per pupil funding from a local education foundation can make a difference in funding a school district's programs and services. Examining the revenues from local education foundations in Michigan, we see that they do not meet the \$20.00 per student threshold identified by these authors, and therefore their impact on programs and services are negligible for many districts.

Summary of Findings Research Question Two

Data gathered from Research Question Two were based on the entire population of school districts in Michigan. Comparisons were drawn between districts that had an affiliated foundation and those that did not. Demographics examined district size, presence of other nonprofits, poverty, state funding, and student achievement. The age of local education foundations was also addressed in Research Question Two.

The mean founding date of local education foundations in Michigan is 1993. Thirty-one local education foundations were created between 1985 and 1987, indicating

that the foundation movement that began on the west coast of the United States in the late 1970s and early 1980s arrived in Michigan shortly thereafter, as noted in the literature. Thirteen percent of local education foundations in Michigan were founded in the five years after Proposal A. The local education foundation growth rate in the years after Proposal A passed indicates that this local tax limiting legislation may have had some impact on the growth of local education foundations. Finally, no correlation was found between the age of the foundation and the amount of revenue disbursed to the district. This information suggests that the age of the foundation does not have an impact on the amount of financial support it can provide to the affiliated district.

District size was investigated as a demographic, and the data analysis indicated that a correlation was found between the size of the district and the presence of a local education foundation. Local education foundations tend to be found in smaller school with student enrollments less than 4,000 pupils. One might expect that local education foundations would be present in larger districts, based on the assumption that larger districts would have an increased number of volunteers willing to assist in the operation of the foundation. However, larger districts may also have more school-related organizations in need of volunteers and more diverse interests in which volunteers can participate besides a local education foundation.

The presence of other nonprofits operating in a district was also used as a demographic factor for analysis. If other nonprofit organizations existed side by side with a local education foundation, the foundation may receive donations at a lower rate because individuals who tend to donate have other options. The data indicate that foundations with another 501(c)(3) nonprofit present generated as much revenue as

districts where the foundation was the only registered nonprofit. This information suggests that foundations do not compete with other nonprofits and have their own identity when it comes to giving to the district.

The role of local education foundations creating external equity issues among districts was analyzed. Reich (2005) expressed concerns that local education foundations contributed to inequity among districts because of their nonprofit status funneling valuable tax dollars away from other government programs designed to help children. Frankel and Merz Frankel (2007) indicated that foundations did contribute to inequitable funding in Oregon. The data for this study indicated that Michigan school districts with an affiliated local education foundation had a 10% lower incidence of free and reduced-price lunch counts. This information indicates that local education foundations tend to be found in districts with lower poverty rates, as measured by free and reduced-price lunch counts. These data are consistent with a study by Brent (2002), who found that school districts with higher poverty rates have parental involvement of a non-financial or volunteer nature. Local education foundations provide additional programs and services for students in their affiliated district. The data indicate that local education foundations are found in wealthier districts. Therefore, local education foundations create inequity because students in poorer districts are less likely to have a local education foundation and the additional programs and services it provides. As noted in the summary of findings for Research Question One, local education foundations contributed an additional \$13.61 per student during the 2008-09 school year. The combination of an additional \$13.61 per student contributed by an affiliated foundation and the fact that local education foundations in Michigan are found in wealthier districts demonstrates

how local education foundations contribute to inequity among districts.

Continuing the concept of a local education foundation contributing to possible inequity among school districts, state foundation grant levels were examined as a demographic variable. No correlation was found between the student foundation allowance allocated by the Michigan Department of Education and the presence of a local education foundation. This information indicates that foundations do not serve to increase programs and services for districts that already receive above the base foundation allowance from the Michigan Department of Education. Inequity was measured on three different metrics for this study: additional per pupil funding contributed by the foundation, district poverty rates, and foundation allowance levels by the state of Michigan. From a practical analysis, foundations do contribute to inequity because they increase the funding for a district by \$13.61 per pupil higher than those districts that did not have a foundation. An added measure of inequity exists when poverty rates are examined, as districts with higher poverty rates were less likely to enjoy the enhanced programs and services of the foundation. However, an analysis of districts with an affiliated local education foundation found no correlation between a district's foundation funding level from the state and the presence of a foundation. Two out of three measurements of equity used in this study demonstrated that foundations contribute to inequity. The issue of local education foundations contributing to inequity among districts is present; however, it is mitigated by the small amount of revenue the local education foundation actually contributes to the district from a financial perspective.

Finally, Research Question Two investigated the relationship between academic achievement and a foundation presence. The percentage of students proficient on the

third- through eighth-grade Michigan Education Assessment Program (MEAP) was obtained from the state education dashboard and used as a measurement for academic achievement at the elementary and middle school level. The American College Test (ACT) scores for each district were obtained from the state education dashboard and used as a measurement for academic achievement at the high school level. A slight negative correlation was found between the presence of a local education foundation and both the district MEAP and ACT scores. Mathematically, this correlation was significant; however, in practical terms, it does not imply that a local education foundation causes lower student achievement rates. No correlation was found between the presence of a local education foundation and high school graduation rates.

Summary of Findings Research Question Three

Research Question Three was designed to understand the cultural and structural underpinnings of local education foundations and their interactions with the school district. Data indicated that superintendents spend three and a half hours per week on foundation activities, suggesting a minimal time commitment on their behalf. Additionally, a majority of superintendents felt that they had an obligation to participate in foundation activities and that they were expected to do so. A major aspect of a superintendent's job is to maintain good relationships with the community, so it would be appropriate that the superintendent would expect to participate in foundation activities.

Data were gathered on foundation governance models. Ninety-one percent of local education foundation models had a governance system that stipulated superintendent involvement in the foundation governing process. Further, qualitative data for this study confirmed the need to have a governance system that included district

personnel, as indicated by the local education foundation directors who participated in the semi-structured interviews. The qualitative data gathered from artifacts and local education foundation directors also indicated the importance that they placed on well-established bylaws, charters, and governing documents.

Data were gathered and analyzed regarding local education foundation programs and internal equitable funding. Specifically, 74% of superintendents indicated that they thought their affiliated foundation funded programs equally within the district. The survey data also indicated that the top four funding priorities were non-subject or -discipline specific, which suggests that foundations seek to fund a variety of programs within the district. This information aligns with the qualitative data collected from foundation directors who indicated the need to focus on funding projects that impact all students. Last, statements and bylaws that stipulated the requirement for equitable funding of programs were present in foundation governing documents.

Superintendents indicated that several positive benefits were associated with having a local education foundation serving their district. The data indicated that superintendents believed the primary benefit of a local education foundation was the financial support that it provided to the district. A second positive aspect of local education foundations evident in the data collection was their ability to establish and support good community relations. The data indicated that the vast majority of superintendents found no negative aspects of having an affiliated local education foundation. However, those who did cite a negative benefit of an affiliated local education foundation identified the time commitment necessary to participate in the foundation as a drawback.

Conclusions

The results of this study produced several conclusions based upon findings regarding the operation of local education foundations and their source as an alternative revenue stream for Michigan public school districts. These conclusions can be classified as financial impact expectations, community relations expectations, and the selection of a foundation operating model.

Financial Impact

School district administrators, staff, school board members, community members, and foundation board members need to be aware of the financial impact that local education foundations provide. The data from this study indicated that local education foundations produced an average of \$13.61 per pupil in additional revenue for their affiliated school district or, on average, less than one tenth of one percent of district expenses. In an era where state appropriations for public schools are frequently reduced, operating a local education foundation to make up lost revenue is an attractive proposition but not likely to produce large amounts of revenue. The literature review for this study addressed the history of local education foundations that was born out of tax limiting measures to fund schools in the late 1970s and early 1980s. As local taxing ability became limited due to litigation and legislation, districts created local education foundations to assist in retaining some local control of revenue generation. The quantitative data indicate that local education foundations do not produce enough revenue to replace reduced state funds. Local education foundations in Michigan are equipped to provide supplemental funding for district programs but do not generate enough revenue to be viewed as a replacement for a reduction in state appropriations. The funding

philosophy of foundations supplementing, not supplanting, school district revenue was a theme developed in the qualitative portion of this study also. Qualitative data gathered from foundation governing documents and meeting minutes indicate that foundations do not view themselves as a revenue replacement for state funding reductions. Finally, qualitative data gathered from interview participants, particularly foundation officials, indicate that foundations are created to support programs in the district but not to replace what should be funded by the state.

School district administrators must realize that local education foundations cannot be expected to be a solution for large revenue replacements, even if they generate substantial revenue sources. The survey data gathered from superintendents, IRS Form 990 documents, and interviews of respondents uniformly indicated that no local education foundations in Michigan made undesignated or discretionary fund transfers to support the district's general fund. In fact, one foundation official indicated that their board would never support an undesignated transfer of funds to the district general fund for discretionary purposes because it would not be fair to donors. Donors, the foundation official indicated, want to support a specific program or idea, not just simply the general fund of the district. If both district administrators and foundation officials are realistic about the revenue that a foundation can provide, the relationship can be beneficial.

The literature review for this study discussed the financial impact of school district foundations in the Silicon Valley School District and the Laguna Beach School district in California as early pioneers in the foundation movement. These types of districts are often cited as examples where foundations were able to provide enough revenue for the district to offset teacher layoffs and other budget reductions. The type of

revenue support that these foundations provide to their affiliated school district represents the exception rather than common practice, and no such foundations were located in Michigan. In conclusion, this study demonstrates that school district administrators, boards of education, foundation leaders, and community members must understand the level of financial impact that foundations can and cannot provide to the school district.

Community Relations

Just as school district administrators need to be aware of the limited general fund impact that local education foundations have, they also need to realize the potential that these organizations have from a community relations standpoint. The survey data analyzed during the course of this study indicate that after financial impact, individuals view strong community relations as an important part of the foundation's mission. Foundation governing documents reviewed as a data source for this study all reference the importance of the organization establishing a close connection to the community. The additional qualitative data gathered from foundation officials and superintendents corresponds to a theme of foundations supporting community relations as a non-financial benefit. Local education foundations are very visible in the school district and serve as a device to engage individuals in supporting the district. One foundation director made the point a bit more directly by stating, "No fundraiser or donor drive was ever done in private; we have to be in the community." In order to survive and be effective, local education foundations must connect with the community. As previously noted, local education foundations do not present a long-term solution to solve revenue shortfalls. However, the non-financial benefits of local education foundations as vehicles to engage the community should be noted by school district administrators and school board

members. This study determined that while local education foundations do not contribute a large amount of revenue to the district in most cases, they can provide a cadre of volunteers to raise awareness and build support for school district programs. The data collected as a part of this study noted that the only major negative involved with local education foundations as identified by superintendents was the time commitment involved. It might be easy for superintendents to ignore participating in foundation events, especially when the small amount of revenue an affiliated foundation provides is taken into consideration. However, school administrators and boards should engage these groups and work proactively with them because their community relations component can be a non-financial benefit.

Foundation Operating Model

The general trend in Michigan is for affiliated local education foundations to operate with a volunteer board of directors that elects officers to lead the organization. In many cases, these board members have certain vocational specialties that they may provide to foundations at a free or reduced rate such as legal, tax, or advertising services. Volunteer boards, particularly in school districts, can present some logistical challenges. Parents who are members of the volunteer board may reduce their participation levels as their children move through school or graduate. Individuals serving a volunteer capacity are well intentioned and can provide leadership. However, local education foundations with an all-volunteer board may reach some limits to the fundraising ability of the organization given the time commitment involved. Foundation leaders, school board members, and district administrators should realize that even the most effective organization might reach an effectiveness plateau with an all-volunteer board.

One emerging alternative that developed during the course of this study was the professionalism of local education foundations. Local education foundations become professionalized when they hire paid staff, typically with the title of Executive Director, to operate the foundation on a daily basis. During the qualitative interviews with two local education foundation executive directors, the topic of professional foundations surfaced. Both executive directors mentioned that one of the driving forces behind moving to a professional operating model was that the foundation had reached its maximum growth point with a volunteer model. One emerging alternative that can be expected to continue with local education foundations in Michigan is a move to a professionalized operating model with paid staff.

Districts and foundation boards should realize that moving from a volunteer operating model to a professional model requires a financial commitment. The data collected for this study provide insight into the commitment that district and the foundation must make for a professional model to be successful. The foundation in District A proposed a \$150,000 total commitment from the district to support hiring a professional director over a three-year time period with a salary of \$50,000 per year. After some negotiations, the district agreed to support the local education foundation with a \$100,000 grant to cover a \$50,000 salary for an Executive Director for two years. Additionally, the district agreed to provide office space at its administration building and limited clerical support from existing secretaries assigned to other offices. The agreement between the district and the local education foundation required the foundation to financially support its own executive director after the second year. This model proved successful for District A as foundation became professionally self-sufficient after the

second year. Local education foundations considering this model should note that it does not come without controversy. Critics of districts that provide seed money to local education foundations will point out that those funds could be spent on positions that directly impact instruction, such as classroom teaching positions. If this model is adopted, both the foundation and the district will need to communicate the benefits of a professional staff as a short-term financial investment for what is anticipated to be a long-term financial gain for the district.

The professionalization of a local education foundation can help remedy the lack of stability that may come with a volunteer operating model. An additional benefit of local education foundations adopting a professional operating model is that it provides an opportunity to hire a trained and experienced Executive Director. Local education foundations adopting a professional model will be able to attract individuals with degrees in nonprofit management or experience in the development field. Potential financial supporters, especially those representing businesses, corporations, or other large grant-making foundations, may view interacting with a professional director more appealing when considering a partnership or donation. The concept of professionalized foundations is relatively new and emerging for local education foundations in Michigan. However, the option of the professional operating model may continue to grow as districts seek to maximize the effectiveness of their local education foundation.

In summary three major conclusions can be drawn from as a result of this study. First, local education foundations provide limited funding to affiliated school districts in Michigan. School district administrators should not view revenue from an affiliated local education foundation as a replacement for reduced state appropriations. Second, the data

gathered from this study indicated that local education foundations provide non-financial benefits in regard to promoting good community relations. The community relations aspect of local education foundations should not be ignored but used as a vehicle to generate positive community support for the school district. Last, local education foundations in Michigan might consider moving toward a professionalized model of foundation operation for several reasons. Progressive local education foundations in Michigan may reach an effectiveness plateau and begin to consider professionalizing the organization by hiring paid staff. A paid staff person can devote his or her full energies to the operation of the foundation and report to the executive board. Local education foundations considering professionalizing their organization may approach the district for seed money to fund paid staff during time period that it takes to transition to this model. The data gathered for this study indicated that local education foundations moving from a volunteer model to a professional mode require two to three years of seed money to become self-sufficient. Districts providing seed money to support the professionalization of their local education foundation may view this support as a short-term investment with expected long-term gains. However, districts should be ready for possible criticism from the community for funding a paid foundation employee at the expense of instructional staff, particularly if the district has engaged in recent budget cuts.

Review of Conceptual Framework

The conceptual framework for this study was presented at the conclusion of Chapter Two. A conceptual framework refers to a method of understanding and approaching inquiry. A conceptual framework also provides a way of making sense and organizing research. With the data analysis completed and findings identified, the

conceptual framework will be reviewed.

This study was grounded using a cultural and symbolic conceptual framework to make sense of how local education foundations operate and interact with their affiliated school district. Schein (2010) provided several different levels analyzing culture that apply to this study. Schein indicated that culture can be understood through the artifacts and symbols an organization produces. A second level of culture that can be observed includes the exposed values of an organization that serve to guide it or its essential agreements. Similar to Schein, Argyris and Schon (1978) define culture as the exposed values of an organization that can also act as an organizational guide for the decision-making process.

The importance of creating a culture within a local education foundation was evident in the data collected and analyzed as a part of this study. Schein (2010) indicated that the initial component of understanding a culture is to examine its artifacts and symbols. Local education foundations create culture by generating governing documents, charters, mission statements, bylaws, and other formal methods of clarifying their goals and identity. The data analyzed for this study contained an examination of local education foundation artifacts that helped understand their values from a cultural perspective. In analyzing qualitative data, artifacts such as bylaws and mission statements were a source of stability and consistency for local education foundation executive directors in particular.

More important, the exposed values that Argyris and Schon (1978) identify as an organizational guide to define the local education foundation's culture were also present in the data. An example of how local education foundations use exposed values to guide

their organizational decisions can be found in the data collected regarding equitable funding of projects within the district by the foundation. Seventy-four percent of superintendents surveyed indicated that the affiliated local education foundation funded programs on an equitable basis. Additionally, the four primary funding priorities evident in the survey data indicated an equitable spread of funding, and data analyzed from foundation-governing documents identified funding programs that impact all students as a priority. Finally, the qualitative data confirmed that the equitable funding of programs was a critical factor in determining their priorities. One foundation executive director indicated that, “We weigh all funding decisions in the context of how many students it will benefit.” Returning to a cultural framework, it is clear that equitable funding is part of the culture and provides an organizational guidepost for decision making.

Another component of the conceptual framework was the definition of conflict by E. E. Schattschneider. Schattschneider (1960) indicated that how conflict is defined is an important part of understanding the culture of an organization. When an individual or group of people is able to define and shape a conflict, they have an opportunity to control the outcome. As local tax-limiting measures were passed in the late 1970s and 1980s, many local education foundations developed in an attempt to regain some local control of school funding since they could no longer do so through tax revenue. Individuals involved in developing local education foundations framed the funding issue as a conflict between the state funding agency and local taxpayers who wanted additional funds to support their schools. Local education foundations developed during the “taxpayer revolt” of the late 1970s and early 1980s in Oregon and California and spread eastward across the United States. As foundations were created to support local public schools, the

conflict between how much funding the state provided and how much funding parents and community members thought was necessary for an excellent education was a consistent theme. This study revealed that local education foundations developed to support their affiliated public schools as a result of tax-limiting measures, and the definition of the funding conflict was part of their organizational process.

One aspect of using Schattschneider's (1960) framework based on conflict definition and socialization was not borne out in this study. The passage of Proposal A in Michigan, which limited a local district's ability to generate funds locally, was found not to be a major impetus for foundation development. Data gathered from interviewing local education foundation executive directors and district superintendents did not indicate that the loss of local revenue generation and a conflict over funding provided a driving force to develop foundations. Local education foundations in Michigan were developed for a variety of reasons and cannot be linked to the definition of a conflict over funding as in other states. Schattschneider's (1960) concept of conflict definition and socialization was not borne out when applied to local education foundations in Michigan.

A final piece of the conceptual framework employed to frame this study was the use of symbols as defined by Edelman (1985). One type of symbol is a condensation symbol that can evoke emotion, recall the past, and provide a promise of the future (Edelman 1985). Local education foundations can be considered condensation symbols themselves and engage in symbolic actions as well. Local education foundations can serve to provide a symbol and a device for engagement so individuals feel they have an opportunity to raise funds for schools because the state has limited their local ability to do so. As the conflict regarding the reduced ability to provide local tax revenue to support

their schools is defined, local education foundations provide a symbolic method for individuals to feel involved and do something about their inability to fund schools locally at a level deemed appropriate by the community.

Foundations are symbols themselves as mentioned above, but foundations also engage in symbolic activities. Large fundraising events, giving campaigns, and annual donor drives by local education foundations all garner publicity and serve as a condensation symbol that revenue can be generated locally to support the schools. Conclusions from this study indicate that local education foundations' use of symbols is successful for getting individuals involved in supporting the schools from a non-financial community relations standpoint. However, local education foundations in Michigan have not had success in generating enough revenue to replace local tax dollars to fund their schools at a higher level as may have been initially intended but do have success in supporting limited programs within the district.

In conclusion, this study was conducted from a cultural and symbolic framework, using concepts from authors who defined culture such as Christopher Agyris, Donald Schon, and Edgar Schein. These cultural concepts were applied to understand how local education foundations function and operate. E. E Schattschneider's discussion of the definition of conflict was also used to understand how local education foundations were organized during the taxpayer revolt period of the late 1970s and early 1980s and spread across the country. A final part of the conceptual framework for this study was viewing local education foundations and their activities as condensation symbols, which was derived from Murray Edelman's work on the importance of symbols and symbolic activities.

Recommendations for Further Research

Several recommendations for further research were generated during the course of this study and are noted below.

This study was focused on local education foundations operating in the State of Michigan. Research analyzing the role of local education foundations in other states would provide an understanding of how these organizations function throughout the United States. A comparative study of local education foundations across the United States could provide insight into how these organizations impact school funding on a national level. Additionally, such a study might assist in establishing some uniform best practices for operating a K-12 foundation that would inform practitioners and non-profit researchers.

Second, this study was designed to provide a broad analysis of local education foundations operating in Michigan and their impact on affiliated school districts. As local education foundations become more professionalized, a longitudinal case study could be performed on an organization as it makes a transition from a volunteer foundation to a professionalized foundation to track anticipated financial benefits.

Third, an organizational analysis of higher education foundations and their fundraising efforts, governance methods, and organizational structure could provide guidance for public school local education foundations. It is easy to dismiss the fundraising efforts of higher education foundations as not comparable to K-12 education foundations from a revenue standpoint. While it is true that higher education foundations generate millions of dollars of support for their affiliated college or university, how these organizations function and create a donor culture may be replicated in a K-12

environment to a lesser extent.

Finally, this study investigated local public school districts that have an established affiliated local education foundation. The data collected for this study indicated that local education foundations are growing in Michigan. A qualitative longitudinal study could be completed as a new local education foundation is conceived and developed in its infancy. A study of this nature would provide information regarding how foundations grow, develop, and change over time.

Chapter Summary

This chapter concluded the study by presenting a summary of the research questions and data analysis. The financial impact of local education foundations, community relations' capability of local education foundations, and the operating model of local education foundations were all presented as summative findings for the study. A review of the conceptual framework utilized in this study was presented and linked to the data analysis and findings. Finally, recommendations for the further research of affiliated local education foundations concluded the study.

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Appendices

Appendix A

Letter of Approval from the University Human Subjects Review Committee

Appendix B

Letter of Introduction and Request to Participate for Superintendent Survey

{Introductory Letter to Superintendents}

Name of Superintendent

Address Line 1

Address Line 2

City, MI

Zip

Date of letter,

RE: Request to participate in survey for doctoral dissertation

Dear Superintendent,

My name is Doug Busch and I am a doctoral candidate at Eastern Michigan University in the Department of Leadership and Counseling. I am also a Director of Finance and Personnel in a Michigan public school district. The purpose of this letter is to request your participation in a brief survey to gather data for my dissertation which is titled *An Analysis of Local Education Foundations as Alternative Revenue Streams for Public School Districts*. The purpose of this study is to quantify the financial impact that local education foundations have on Michigan public school districts, determine if relationships exist between selected school district demographic data and analyze how school district superintendents perceive local education foundations affiliated with their district.

Within the next ten days you will receive an email containing an embedded link to an electronic survey that will take you 15-20 minutes to complete. Participation is voluntary and you may decline to answer any questions or withdraw at any time. All information will be kept confidential and your individual answers will not be shared, as information will be reported on an aggregate basis. Procedurally, the information

collected will be used for the purposes of my dissertation data only and will be kept on a password protected website and computer. The only dissemination of the data collected will be via the written doctoral dissertation. No foreseeable risks or discomfort to you as a participant are expected.

As the state continues to reduce funding school districts are seeking alternative revenue sources such as local education foundations. The benefit to completing this survey is to further the research on alternative revenue systems during these difficult financial conditions for public schools. As a participant you will also receive a full report of the survey results that may assist your local district and its affiliated educational foundation, if you so choose.

Again, thank you for your time and willingness to participate in the survey. You will receive an email with the survey link in the next ten days from the email address dbusch@fenton.k12.mi.us

Should you have any additional questions please feel free to contact my dissertation chairman or myself at the address below:

Dr. David Anderson-Dissertation Chair

danderson@emich.edu

734.487.0255

Doug Busch-Doctoral Student

dbusch@emich.edu

734.320.5957

Sincerely,

Douglas M. Busch

Appendix C

Local Education Foundation Superintendent Survey

{Text of email containing survey link}

Dear Superintendent,

My name is Doug Busch and I am a doctoral candidate at Eastern Michigan University in the Department of Leadership and Counseling. I am also a Director of Finance and Personnel in a Michigan public school district. Recently, you received a letter of introduction from me requesting your participation in a survey for my dissertation research titled *An Analysis of Local Education Foundations as Alternative Revenue Streams for Public School Districts*. The purpose of this study is to quantify the financial impact that local education foundations have on Michigan public school districts, determine if relationships exist between selected school district demographic data and analyze how school district superintendents perceive local education foundations affiliated with their district.

Within the next ten days you will receive an email containing an embedded link to an electronic survey that will take you 15-20 minutes to complete. Participation is voluntary and you may decline to answer any questions or withdraw at any time. All information will be kept confidential and your individual answers will not be shared, as information will be reported on an aggregate basis. Procedurally, the information collected will be used for the purposes of my dissertation data only and will be kept on a password protected website and computer. The only dissemination of the data collected will be via the written doctoral dissertation. No foreseeable risks or discomfort to you as a participant are expected.

As the state continues to reduce funding school districts are seeking alternative revenue sources such as local education foundations. The benefit to completing this survey is to further the research on alternative revenue systems during these difficult financial conditions for public schools. As a participant you will also receive a full report of the survey results that may assist your local district and its affiliated educational foundation, if you so choose.

Again, thank you for your time and willingness to participate in the survey. You will receive an email with the survey link in the next ten days from the email address dbusch@fenton.k12.mi.us

Should you have any additional questions please feel free to contact my dissertation chairman or myself at the address below:

Dr. David Anderson-Dissertation Chair

danderson@emich.edu

734.487.0255

Doug Busch-Doctoral Student

dbusch@emich.edu

734.320.5957

Sincerely,

Douglas M. Busch

Local Education Foundation Superintendent Survey

Do you give consent to participate in this study?

-Yes

-No

To the best of your knowledge, who was primarily responsible for creating the educational foundation in your district? (Mark all that apply)

-Parents

-The school district staff (teachers, administrators or support staff)

-The school board

-City or community leaders

-School district alumni

-Don't know

-Other _____

To the best of your knowledge, do any other affiliated 501(c)(3) nonprofit foundations support activities in your school district? Examples may include but not limited to band boosters, athletic boosters or parent teacher organizations that are incorporated as 501(c)(3) groups.

-Yes, other nonprofit 501(c)(3) groups exist that are affiliated with the district

-No, the education foundation is the only 501(c)(3) group affiliated with the district

-Don't know

Who would you classify as the PRIMARY decision maker when it comes to establishing funding priorities for the educational foundation.

-Foundation board of directors

- Parents
- School administrators
- Superintendent
- Teachers
- Community members
- The foundation does not have any specific funding priorities

To the best of your knowledge, did your affiliated educational foundation receive any revenue from the following sources? (Check all that apply).

- Corporate sponsorships
- Donations from businesses or corporations
- Donations from individuals, including payroll deduction from employees
- Fees/charges/sales for services provided
- Fees/charges/sales for special events
- Government grants
- Grants from community foundations
- Grants from other foundations
- Grants or support from federated funders including the United Way
- Trusts or bequests from individuals
- Other _____

To the best of your knowledge, which one of these sources generated the most revenue for your foundation? (Check all that apply).

- Corporate sponsorships
- Donations from businesses or corporations

- Donations from individuals, including payroll deduction from employees
- Fees/charges/sales for services provided
- Fees/charges/sales for special events
- Government grants
- Grants from community foundations
- Grants from other foundations
- Grants or support from federated funders including the United Way
- Trusts or bequests from individuals
- Other _____

Please select what you view as the top 4 funding priorities of your district's educational foundation.

- Arts
- Child development outside of the classroom
- Classroom supplies and equipment
- Funding new and innovative programs
- Drama
- English
- Field trips
- Foreign language
- Healthy lifestyle or fitness programs
- Library books
- Math programs
- Music

-Scholarships

-Science

-Social studies

-Athletics

-Technology programs

-Other _____

Does your education foundation provide any direct financial support to fully or partially fund teaching, administrative or para instructional positions?

-Yes

-No

-Don't know

Does your education foundation provide any type of unrestricted funds to be used as you or your administrative staff see fit?

-No, all funds are designated or earmarked for specific purposes by the foundation

-Yes, the school district receives unrestricted funds from the foundation to be utilized as district administrators see fit

-Our school district receives both earmarked funds for specific purposes and unrestricted funds to be utilized as district administrators see fit

If you indicated that your district received unrestricted funds, please indicate how many unrestricted dollars the district received from its foundation last year on the line below.

_____ (amount of unrestricted funds)

-Our district did not receive any unrestricted funds from our educational foundation

As superintendent, do you sit on the local education foundation Board of Directors?

- Yes in a voting capacity
- Yes in a non-voting advisory capacity
- I do not sit on the Board of Directors

Which governance model best describes the local education foundation in your district?

- The school board appoints all foundation board members or functions in a dual capacity as both school board members and education foundation board members
- Foundation bylaws require that the superintendent and/or school board member be a full voting member of the foundation's board of directors
- Foundation bylaws require that the superintendent and/or school board member be a member of the foundation's board of directors, but in an ex-officio or non-voting capacity.
- The superintendent or school board does not have a presence on the educational foundation board of directors
- Other_____

As superintendent how much time per month do you, your clerical staff or your designee devote to foundation activities? Please list the amount of time you spend on foundation activities in the space below in hours. If less than one hour per month, please indicate by marking a zero.

_____ (time spent on foundation activity)

Does your district provide office space, technology (computers/telephones/copiers/server space) or administrative support to the education foundation?

- Yes

-No

How many paid staff does your foundation employ?

-The foundation employs _____ paid staff.

-The foundation does not employ any paid staff.

-Don't know

The education foundation provides the following benefits to the school district. (Check all that apply.)

-Financial support

-Community involvement

-Increased visibility for the school district

-A core group of volunteers to support district initiatives when called upon

-Networking with business and industry members in the community

-Advocacy and lobbying on the district's behalf to elected officials

-Other _____

The education foundation provides the following drawbacks to the school district.

(Check all that apply.)

-Time commitment necessary on behalf of district administrators

-Time commitment necessary on behalf of district clerical personnel

-Use of district physical resources such as gym or cafeteria space for events

-Conflicts with the board of education regarding funding priorities

-Conflicts with district administrative staff regarding funding priorities

-Introduces a group that seeks to influence policy and decision making within the district

-Provides initial funding for a project, but expects the district to fund the project over the long term

-No drawbacks exist

-Other _____

Please indicate the extent to which you agree or disagree with the following statements as they relate to your local education foundation. Please answer these questions on a numerical scale of one to seven as noted below:

As superintendent, I believe that the education foundation leadership expects my involvement in some capacity in most fundraisers and foundation events.

Response

1. Very strongly agree
2. Strongly agree
3. Agree
4. Slightly agree
5. Slightly disagree
6. Disagree
7. Strongly disagree
8. Very strongly disagree

As superintendent, I believe that I have an obligation to be involved in foundation fundraisers and foundation events.

Response

1. Very strongly agree
2. Strongly agree

3. Agree
4. Slightly agree
5. Slightly disagree
6. Disagree
7. Strongly disagree
8. Very strongly disagree

As superintendent, the leadership of the education foundation values my opinion when setting funding priorities for their contributions or donations to the district.

Response

1. Very strongly agree
2. Strongly agree
3. Agree
4. Slightly agree
5. Slightly disagree
6. Disagree
7. Strongly disagree
8. Very strongly disagree

As superintendent, if the education foundation was contemplating a donation or funding a project that I did not feel was useful to the district, they would respect my request to withdraw funding for the project.

Response

1. Very strongly agree
2. Strongly agree

3. Agree
4. Slightly agree
5. Slightly disagree
6. Disagree
7. Strongly disagree
8. Very strongly disagree

As superintendent, I believe that the education foundation attempts to distribute funds on an equitable or fair basis to support a wide range of programming in the district.

Response

1. Very strongly agree
2. Strongly agree
3. Agree
4. Slightly agree
5. Slightly disagree
6. Disagree
7. Strongly disagree
8. Very strongly disagree

As superintendent, I believe that the education foundation has an influence on policy and the decision making process in the school district.

Response

1. Very strongly agree
2. Strongly agree
3. Agree

4. Slightly agree
5. Slightly disagree
6. Disagree
7. Strongly disagree
8. Very strongly disagree

As superintendent, I believe that the educational foundation's goals are aligned with vision and direction of the school district.

Response

1. Very strongly agree
2. Strongly agree
3. Agree
4. Slightly agree
5. Slightly disagree
6. Disagree
7. Strongly disagree
8. Very strongly disagree

As superintendent, if I see a need to fund a project that cannot be funded by other means, I feel comfortable contacting the education foundation leaders to seek financial support.

Response

1. Very strongly agree
2. Strongly agree
3. Agree
4. Slightly agree

5. Slightly disagree
6. Disagree
7. Strongly disagree
8. Very strongly disagree

As superintendent, I view the educational foundation as a device to engage the community in school district activities.

Response

1. Very strongly agree
2. Strongly agree
3. Agree
4. Slightly agree
5. Slightly disagree
6. Disagree
7. Strongly disagree
8. Very strongly disagree

As superintendent, I believe that the educational foundation is beneficial to the school district.

Response

1. Very strongly agree
2. Strongly agree
3. Agree
4. Slightly agree
5. Slightly disagree

6. Disagree
7. Strongly disagree
8. Very strongly disagree

As superintendent, I believe that the educational foundation is detrimental to the school district.

Response

1. Very strongly agree
2. Strongly agree
3. Agree
4. Slightly agree
5. Slightly disagree
6. Disagree
7. Strongly disagree
8. Very strongly disagree

As superintendent, I believe that our district will increase its reliance on private funding sources, such as our local educational foundation, in the future.

Response

1. Very strongly agree
2. Strongly agree
3. Agree
4. Slightly agree
5. Slightly disagree
6. Disagree

7. Strongly disagree

8. Very strongly disagree

Thank you very much for your participation in this survey.

Appendix D

Interview Guide for Semi-Structured Superintendent Interviews

Section 1: Introduction Script

Interviewer: Thank you for agreeing to participate in this interview today. I am a doctoral candidate at Eastern Michigan University in the Department of Leadership and Counseling as well as a central office finance and personnel administrator. The purpose of this study is to quantify the financial impact that local education foundations have on Michigan public school districts, determine if relationships exist between selected school district demographic data and analyze how school district superintendents and foundation officials perceive local education foundations. You may discontinue participation at any time.

- Are you comfortable continuing?
- Do you mind if I record our interview for my reference at a later time?

Section 2: Initial Questions

Question: Can you tell me about your experience with the education foundation?

Possible sub questions to prompt if necessary:

- How does the foundation support the district financially?
- How does the foundation support the district in non financial ways?

Section 3: Governance Questions

Question: Can you tell me about the relationship that the foundation has with the Board of Education?

Possible sub questions to prompt if necessary:

- What kind of presence does the Board of Education have on the foundation governing board?
- Are there any examples that you can think of where the education foundation and the Board of Education have disagreed on a project? If so, why?
- Are there any examples that you can think of where you have felt pressured by the foundation to support a particular project that you may not have agreed with?

Section 4: The Future of Foundations

Question: What role do you feel the education foundation will play in the school district's future?

Possible sub questions to prompt if necessary:

- What types of projects do you feel the foundation should be focusing on in the future?
- Do you feel that schools will need to increase their reliance on private funding, such as local education foundations, in the future? If so, is this fair to schools that do not have an active local education foundation?

Section 4: Conclusion of Superintendent Interview Script

Interviewer: This brings our interview to a close today. I would like to thank you for taking time out of your busy schedule to assist me with my research. In closing, are there any other specific or unique issues about the local education foundation in your district that may be of assistance in my research? I am providing my contact information on this business card and please feel free to contact me if you have any additional questions or comments about this project. Thank you.

Appendix E

Interview Guide for Semi-Structured Foundation Official Interviews

Section 1: Introduction Script

Interviewer: Thank you for agreeing to participate in this interview today. I am a doctoral candidate at Eastern Michigan University in the Department of Leadership and Counseling as well as a central office finance and personnel administrator. The purpose of this study is to quantify the financial impact that local education foundations have on Michigan public school districts, determine if relationships exist between selected school district demographic data and analyze how school district superintendents and foundation officials perceive local education foundations. You may discontinue participation at any time.

1. Are you comfortable continuing?
2. Do you mind if I record our interview for my reference at a later time?

Section 2: Initial Questions

Question: Can you tell me about your experience with the district's education foundation?

Possible sub questions to prompt if necessary:

- What motivated you to become involved in the district's education foundation?
- What types of financial and non financial support does the foundation provide for the district?

Section 3: Governance Questions

Question: What type of leadership or governance structure does the education foundation have?

Possible sub questions to prompt if necessary:

- How would you describe the relationship between the Board of Education and the education foundation?
- How would you describe the relationship between the superintendent and the education foundation?

Section 4: The Future of Foundations

Question: What role do you feel the education foundation will play in the school district's future?

Possible sub questions to prompt if necessary:

- What types of projects do you feel the foundation should be focusing on in the future?
- Do you feel that schools will need to increase their reliance on private funding, such as local education foundations, in the future? If so, is this fair to schools that do not have an active local education foundation?

Section 4: Conclusion of Foundation Official Interview Script

Interviewer: This brings our interview to a close today. I would like to thank you for taking time out of your busy schedule to assist me with my research. In closing, are there any other specific or unique issues about the local education foundation in your district that may be of assistance in my research? I am providing my contact information on this business card and please feel free to contact me if you have any additional questions or comments about this project. Thank you.