



November 9, 2009

The Honorable Arne Duncan  
Secretary of Education  
U.S. Department of Education  
400 Maryland Avenue, SW  
Washington, DC 20202

***RE: Investing in Innovation (i3) Fund Notice of Proposed Priorities (NPP)***  
***Docket ID: ED-2009-OII-0012***

Dear Mr. Secretary:

The National Alliance for Public Charter Schools (the Alliance) appreciates this opportunity to comment on the proposed priorities, requirements, definitions, and selection criteria for the Investing in Innovation (i3) fund authorized under the American Recovery and Reinvestment Act (ARRA). The i3 fund presents a unique opportunity for the Department to build on other ARRA investments, especially the Race to the Top fund and its efforts to drive state level education reforms. The i3 fund is an additional lever of change for the Department, focusing at the local level and providing case studies and proof points to drive the next generation of state and national education reform policies.

We applaud the Secretary's comments this morning at the U.S. Chamber of Commerce calling on the federal government to "...invest in what works and take it to scale," and that "good schools must be replicated, and bad schools must be transformed<sup>1</sup>." The charter school movement looks to the i3 fund to help accomplish these objectives.

On behalf of over 4,900 public charter schools across the country educating over 1.6 million children, the Alliance strongly supports your efforts to use the i3 fund to scale significant education reforms and find the next generation of notable educational innovations. The current draft is a commendable start, but we do believe it can be improved further. Our comments are offered in the spirit of positive collaboration.

The Alliance looks forward to working with you and the Administration to ensure that our education system meets the challenges of the 21<sup>st</sup> century. If you would like us to provide additional information for any of the points detailed below, please contact Brooks Garber, Federal Policy Director at [brooks@publiccharters.org](mailto:brooks@publiccharters.org) or 202-289-2700.

Sincerely,

A handwritten signature in black ink, appearing to read "Nelson Smith".

Nelson Smith  
President and CEO

---

<sup>1</sup> <http://www.ed.gov/news/speeches/2009/11/11092009.html>

## General Comments

With \$650 million to be spent at the Department of Education's discretion, the Investing in Innovation (i3) fund is part of the single largest opportunity the Department has ever had to make dramatic and immediate impacts on student achievement. Combined with the \$4.35 billion Race to the Top (R2T) fund, the Department has \$5 billion in resources to support education reforms at the local and state levels. Although a staggering amount in the aggregate, the \$650 million available under i3 can be spent very quickly, so it is critical that the competition be driven by clear objectives and processes. While the Department's draft Notice of Proposed Priorities (NPP) strives to both maximize resources and support innovation and scalability simultaneously, we strongly encourage the Department to rethink its approach to the i3 fund.

The statute is very clear on the intentions of the fund, specifically:

(3) Basis for Awards – The Secretary shall make awards to eligible entities that have made gains in closing the achievement gap as described in subsection (b)(1) –

- (A) to allow such eligible entities to expand their work and serve as models of best practices;
- (B) to allow such eligible entities to work in partnership with the private sector and the philanthropic community; and
- (C) to identify and document best practices that can be shared and taken to scale based on demonstrated success<sup>2</sup>.

Although the statute is called the “Innovation Fund,” it is oriented far more toward growing proven practices. As we have consulted with others in the field (including two conference calls with more than 200 participants), it has become clear that the two intentions in the current draft of scaling effective practices and discovering innovation are hard to reconcile. So we recommend that the Department structure the grants in two competitions: one to support scaling projects and a separate competition to support innovations or new emerging practices that can subsequently be taken to scale with other funding.

Our primary concern with the current draft is that it will preclude grants to “eligible entities that have made gains in closing the achievement gap” (specifically, high-performing public charter schools and networks) that might enable them “to expand their work and serve as models of best practices.” Further, we believe that the current funding criteria will require the Department to overlook true and important innovations that show promise for improving achievement, while rewarding programs, practices, and strategies with well-established track records.

We suggest that the Department consolidate the three types of grants in its current draft proposal to two: \$425 million for **Scaling Grants** (or 2/3rds of the fund) and \$225 million for **Innovation Grants** (or 1/3<sup>rd</sup> of the fund). **The Department should not set rigid amounts for each of the awards, but rather determine the number of awards to be made in each category - for instance, between 8 – 12 Scaling Grants and between 20 - 40 Innovation Grants.** We believe this approach will enable the Department to find and fund scalable solutions to problems long plaguing our public education system.

Across the world, many entities - from the World Bank, where the United States is the largest institutional investor, to the National Institutes of Health (NIH) and the Defense Advanced Research Project Agency (DARPA), both arms of the US Government - take dramatically different approaches to funding innovation vs. scaling. We strongly encourage the Department to embrace the techniques used by these agencies and institutions as maps for how best to support scalability and innovation via the i3 fund.

*Scaling vs. Innovation.* After examining other approaches to funding innovation and scaling, we see several core elements necessary for their success. First, for innovation, these leading institutions do not require significant evidence of proven

---

<sup>2</sup> American Recovery and Reinvestment Act, Section 14007, Innovation Fund.

widespread effectiveness before making an award, and often make awards based on sound hypotheses. They also vary the amounts of the grants awarded for the projects. Four key examples are:

- NIH has three core factors in examining its grant applications: (1) Projects of High Scientific Caliber that are relevant to public health needs, (2) Investigator-Initiated Research to stimulate research in particular areas of science, and (3) Unique Research Projects. By law, NIH for certain grants cannot support a project already funded or having already been done<sup>3</sup>.
- The Defense Advanced Research Projects Agency (DARPA), the research and development office of the U.S. Department of Defense has a policy of funding projects that likely wouldn't receive other funding, which has led to the development of many of the weapons and systems that our modern day military relies on. DARPA funding is generally focused on "ideas that will otherwise not be developed without DARPA assistance," or previous significant evidentiary support<sup>4</sup>.
- The World Bank has invested heavily in Higher Education Investment Funds across the globe. One clear finding from their work is that "because their (incentive funds) operate at the micro level, they do not offer macro rewards for system re-orientation or re-structuring<sup>5</sup>." Innovation funds are reserved for developing new ideas, while using other funding streams and mechanisms to support scaling.
- The United Kingdom has an entire Government Ministry dedicated to fostering innovation - the Department for Business, Innovation, and Skills - that ties policies impacting the entire country's future together from education to science policy to healthcare to business development. This Ministry aligns efforts across the UK's funding streams to maximize innovation and governmental policies, while striving to fund programs, practices, and strategies that show promise in maintaining the UK's economic success. When awarding grants, the Ministry first and foremost focuses on the academic success of an education program and then considers other factors.

With a portion of the i3 fund dedicated to true innovation, the bulk of funding can be devoted to scaling. According to the Institute of Education Sciences' classification of types of research practices, the evidentiary requirements for the i3 fund's current Scale Up and Validation grants qualify them both as IES Scale-up Evaluations. Given the IES classification of both the current grant types as "Scale-up" activities, we recommend that the Department focus the remaining i3 funding for just one type of grant: Scaling Grants, while eliminating its Validation grants.

### **Reasonable Hypothesis Requirements for Innovation Grants**

Clearly, no submission for an Innovation grant should be funded on the basis of mere conjecture. However, we applaud the Department's recognition that a reasonable hypothesis or rationale can be a basis for funding "new, high potential, and relatively untested practices." We would hope a reasonable hypothesis at the minimum would entail a clear theory of action supported by literature suggesting that the intended outcome is likely and is correlated with the activities associated with the theory of action.

### **Evidence Requirement for Scaling Grants**

The Department has structured a competition to fund programs, practices, or strategies that focus on "high need students," but requires a type and magnitude of evidence that will bar from eligibility organizations that have arguably achieved the nation's strongest track record in serving those students.

The discussion of evidence should begin by asking "What is to be scaled?" There is much current evidence derived from "gold-standard" studies in New York, Boston, and other cities that when sound policies are in place, the performance of charter school students can outpace that of the surrounding district. Indeed, in their review of such well-designed studies,

---

<sup>3</sup> [http://grants.nih.gov/grants/grant\\_basics.htm](http://grants.nih.gov/grants/grant_basics.htm)

<sup>4</sup> <http://www.darpa.mil/STO/submitideas.html>

<sup>5</sup> [http://siteresources.worldbank.org/EDUCATION/Resources/278200-1099079877269/547664-1099079956815/ED\\_WPS1\\_Innovation\\_Fund\\_Guide\\_May06.pdf](http://siteresources.worldbank.org/EDUCATION/Resources/278200-1099079877269/547664-1099079956815/ED_WPS1_Innovation_Fund_Guide_May06.pdf)

Julian R. Betts and Y. Emily Tang found that investments in charter schools, especially high quality ones, can lead to dramatic academic improvements, especially compared to other policies like class size reduction<sup>6</sup>.

*However, no one is proposing to scale “all charter schools,” or even “all charter schools in a given city” through this competition. What will be scaled are the schools and networks that are most effective and have most amply demonstrated success in closing achievement gaps. It is these schools and networks that with each round of replication and expansion are producing some of the most impressive academic achievements in the nation – yet the data documenting their track records would not be admissible under the current criteria because it is not “quasi-experimental” or readily generalizable.*

The following discusses those issues:

External validity. Many high quality charter organizations like KIPP, Uncommon Schools, Achievement First, ICEF, and Academica Schools are having amazing successes with high needs students, but they are currently limited in size. These networks are at the forefront of education reform and educational improvement in America but the draft’s evidence requirements create a Catch-22: It is impossible for any (even a consortium) of these networks to demonstrate “high degree of external validity” because these models are site-specific and create specific success-oriented educational cultures. The draft is clearly organized to favor program-level interventions that can be inserted into a variety of system settings, rather than these school-wide models that depend for success on rigorous leadership development and adherence to cultural norms.

Yet these schools are already scaling with a remarkable degree of success that is vividly demonstrated by direct academic results. Heeding the Secretary’s own words from November 9<sup>th</sup> at the US Chamber of Commerce, “let’s invest in what works and take it to scale<sup>7</sup>,” these high performing charter networks should be at least eligible for, if not a prime target of, i3 Scaling Grants. Additionally, recent research from the Manhattan Institute documented that investments in high quality charter schools not only benefit students enrolled in those schools, but neighboring public schools and their students too<sup>8</sup>. Thus, focusing solely on the external validity of the charter research negates significant benefit to students beyond the confines of charter schools.

Structure of Scaling Grants. We recognize the Department’s desire to scale programs that have the best shot of success with the biggest impact, but scale should be examined appropriately for each entity funded. For a school, it should be the potential number of students served over a school’s lifetime. For instance, scaling one successful KIPP school to 5 high-quality KIPP schools not only serves the students currently able to attend the original school, but the thousands who will likely benefit from it and the new schools in the future.

In certain geographies, like south Los Angeles, there are charter networks working together to transform an entire portion of the second largest school district in the nation. Together, the charter networks in south LA are partnering to be one of the largest school districts in the nation just with the students enrolled in their charters; and, combined with the students they will serve over the lifetime of their operations, have the chance to impact tens of thousands if not hundreds of thousands of students.

And, similar to America’s long standing elite private schools - such as Choate, Deerfield, Phillips Exeter, and Phillips Andover - high-quality charter networks will hopefully remain consistently excellent over generations, serving thousands of lucky children able to attend these schools. Replicating high quality charter schools will have the same potential for those children unable to attend our most elite institutions, but still deserving of the highest quality public education.

Although there has been limited work domestically with scaling K-12 education practices, internationally entities have been attempting this work for years. Some of the key findings from this research are:

- According to the World Bank’s education lending division, one critical factor for any scaling to work is that the policy environment must be accepting of change.

---

<sup>6</sup> [http://www.crpe.org/cs/crpe/download/csr\\_files/pub\\_ncsrp\\_bettstang\\_dec08.pdf](http://www.crpe.org/cs/crpe/download/csr_files/pub_ncsrp_bettstang_dec08.pdf)

<sup>7</sup> <http://www.ed.gov/news/speeches/2009/11/11092009.html>

<sup>8</sup> [http://www.manhattan-institute.org/html/cr\\_60.htm](http://www.manhattan-institute.org/html/cr_60.htm)

- The Harvard School of Education has also spent time and effort examining the scaling of education practices and has produced a compendium of research in “*Scaling Up Success: Lessons Learned from Technology-Based Educational Improvement*,” which finds that factors outside the program, practice, or strategy are equally critical to the success of any scaling endeavor.
- Lastly, and critically important given the successful but limited scope of many of the best charter school networks, many of the World Bank’s investments in scaling education reforms are primarily determined based upon academic achievement. If the program, practice, or strategy is producing significant academic achievement, it is progressed in the evaluation process to determine if it warrants further funding, including potential further academic study with funding from this grant. **The Department should adopt this two step process for Scaling Grants: Allowing significant academic success to earn eligibility for a grant, and then applying additional evidentiary priorities for awarding a grant.**

And, as the Department structures the Scaling Grants, it should examine closely The World Bank’s focus on not just the immediate academic impacts of a program, but also the long-term economic and social rates of return the project will have on the funded locale. George Pscharopoulos has done much of the pioneering work in this field and the Department should take advantage of this work<sup>9</sup>. Taking such a broader perspective also addresses our concerns around the Department’s current limited focus on documenting just the cost to scale a project. **We strongly encourage ED to examine the social benefits, the economic benefits, and the long term implications of a project in addition to the actual cost of bringing a project to scale.**

*Alignment of Resources.* **Lastly, the Department should make it a competitive priority for Innovation Grants applications to align with other federal funding streams.** For instance, within the Department of Education, the School Improvement Grants, Education Technology Grants, and Teacher Quality Enhancement Grants all align directly with the absolute priorities currently in the i3 fund. Entities applying for a grant that either already have one of these grants or a partnering with an entity funded with these grants should get competitive preference over those that do not. Outside of the Department of Education, entities receiving funding from programs focused on community development or revitalization, for instance the Community Development Block Grants (CDBGs), should also receive competitive preference if they are attempting to start new schools or implement programs that will have a direct economic impact on areas.

---

<sup>9</sup> <http://www.c3l.uni-oldenburg.de/cde/econ/readings/psacharo.pdf>; <http://wbro.oxfordjournals.org/cgi/content/short/3/1/99>

## Specific Comments

### *Priorities*

As with all ARRA-authorized funding, the Department has structured i3 grants under four absolute priorities that are referenced throughout the authorizing legislation and continuously reinforce each other across the various funding streams. They are:

- 1) Innovations That Support Effective Teachers and School Leaders;
- 2) Innovations That Improve the Use of Data;
- 3) Innovations that Complement the Implementation of High Standards and High Quality Assessments; and
- 4) Innovations That Turn Around Persistently Low Performing Public Schools.

The Alliance supports the attempt by the Department to reinforce all ARRA funding streams by mandating that applications for an i3 Scaling Grant fall under one of these four absolute priorities. However, to maximize this alignment, the Department should define the absolute priorities the same way across all ARRA funding streams. For example, under the draft R2T NPP and the School Improvement Grants NPP, the Department clearly stipulated that closing down a persistently low performing public school and converting it to a charter school, charter management organization, or education management organization was an allowable and preferred option<sup>10</sup>. **This approach should again be a clear option under Absolute Priority 4 in the i3, which should also clarify that failing schools must be closed first and then reopened under a charter school or charter management organization to ensure that entity has a fresh start with the students previously trapped in a failing school.**

For Innovation Grants, the department should not require that applicants apply under any absolute priorities. Instead, the Department should construct all the priorities as competitive priorities.

### *Eligibility*

The Department's NPP follows the statute by enabling LEAs or a partnership between a non-profit organization and one or more LEAs or a consortia of schools to apply for a grant. And the NPP includes a special rule which, like the statute, enables nonprofits with a track record of meeting the eligibility criteria around academic achievement to apply on behalf of LEAs or consortia of schools that have not met the eligibility requirements, with the intention that the nonprofit would implement its successful programs, practices, or strategies with those struggling entities. **However the "Note about Eligibility" the Department included in the NPP (p. 52220) changes this eligibility.** Here, a nonprofit currently can only qualify based upon work previously done with LEAs, not with a consortia of schools:

“...We are proposing that a nonprofit organization applicant be considered to have met these eligibility requirements through its record of **work with an LEA. Therefore, an applicant that is a nonprofit organization would not necessarily need to select as a partner for its Investing in Innovation Fund grant an LEA or a consortium of schools that meets the eligibility requirements in paragraphs (1), (2), and (3). Rather, the nonprofit would have to demonstrate that has a record of meeting those requirements through the assistance it has provided to one of more LEAs in the past.**”

This language implies that although an entity could choose to partner with a consortium of schools for its i3 grant, it must have as its evidentiary requirement work with an LEA. Approximately 50% of charter schools in the country are part of an LEA and would fall under a “consortium of schools” for application purposes. Many of these schools partner with non

---

<sup>10</sup> <http://www.ed.gov/legislation/FedRegister/proprule/2009-3/072909d.html> and <http://www.ed.gov/legislation/FedRegister/other/2009-3/082609d.html>

profits, including charter management organizations, to implement highly successful programs, practices, and strategies. **This language has the potential to dramatically eliminate many innovative and successful schools from applying in partnership with nonprofits. We strongly recommend the Department amend the language to:**

“Note about Eligibility for an Entity that Includes a Nonprofit Organization: To be eligible for an award, the statute requires that an application submitted by a nonprofit organization, in partnership with one or more LEAs or a consortium of schools, be considered to have met the eligibility requirements in paragraphs (1), (2), and (3) described earlier in this notice, if the nonprofit organization has a record of meeting those requirements. A nonprofit organization applicant will be considered to have met these eligibility requirements through its record of work with an LEA *or a consortium of schools*. Therefore, an applicant that is a nonprofit organization would not necessarily need to select as a partner for its Investing in Innovation Fund grant an LEA or a consortium of schools that meets the eligibility requirements in paragraphs (1), (2), and (3) described earlier. Rather, the nonprofit organization would have to demonstrate that it has a record of meeting those requirements through the assistance it has provided to one or more LEAs *or a consortium of schools* in the past.”

### *Definitions*

Currently, the Department throughout the NPP references applications serving high needs students, which it defines as “a student at risk of education failure, or otherwise in need of special assistance and support, such as students who are living in poverty, who are far below grade level, who are over-age and under-credited, who have left school before receiving a regular high school diploma, who are at risk of not graduating with a regular high school diploma on time, who are homeless, who are in foster care, who have been incarcerated, who has disabilities, or who are limited English Proficient.” **In its final regulatory announcement of the i3 fund, the Department should maintain the focus on projects serving high needs students but not require all projects to only serve high needs students.** If the i3 fund is to find scalable projects with significant national potential, it should recognize that many of the promising innovations or scalable projects funded might also benefit children not defined as high need, but still in need of a high quality public education.

### *Additional Evidentiary Comments*

Site definition. The Department should define “site” in “multisite” below (from p. 52221) means a school, district, or city: **“one large, well designed and well implemented randomized controlled multisite trial that supports the effectiveness of the practice, strategy, or program”.**

Some charter school studies are “lottery studies” of charter schools in urban areas. Examples include Caroline Hoxby’s recent evaluation of New York City’s charters<sup>11</sup> and the Harvard and MIT study<sup>12</sup> of Boston charters. These studies should be considered to meet this requirement. At the least, they should be allowed to be used to validate the success of an urban focus for charter replication. .

Cost estimates. The Department has specific requirements for geographic location scaling throughout the application, referring at various points to the cost of scaling regionally, to a state, or to the national level. The Department also has cost estimates throughout the application about the potential for a project to reach anywhere between 100,000 and up to 1 million students too. The Alliance recommends several changes here:

---

<sup>11</sup> [http://www.nber.org/~schools/charterschoolseval/how\\_NYC\\_charter\\_schools\\_affect\\_achievement\\_sept2009.pdf](http://www.nber.org/~schools/charterschoolseval/how_NYC_charter_schools_affect_achievement_sept2009.pdf)

<sup>12</sup> [http://www.tbf.org/uploadedFiles/tbforg/Utility\\_Navigation/Multimedia\\_Library/Reports/InformingTheDebate\\_Final.pdf](http://www.tbf.org/uploadedFiles/tbforg/Utility_Navigation/Multimedia_Library/Reports/InformingTheDebate_Final.pdf)

- First, the Department should broaden the geographic areas to include two to three targeted urban locales, enabling significant efforts in our largest cities and metropolitan areas. Although a sizeable percentage of our population lives in rural areas, a majority of Americans now live in metropolitan areas<sup>13</sup>.
- Second, the Department should clarify the numbers under the “Capacity to Scale Sections” are only there for cost estimates, and that the entity doing the eventual scaling at these expansive levels may be different from that which applies for this particular grant. These estimates should not impact nor count against an applicant if they cannot reach these numbers during the lifetime of the grant.
- Third, we recommend in addition to examining the cost of scaling a project, the rate of returns (ROR) on the investment should be factored into grant decisions. Again, the World Bank uses this practice widely. When the Bank and its affiliates examine educational investments, they use ROR based upon human capital theory to help determine their investments<sup>14</sup>.

Matching requirements. The Department’s NPP currently includes a 20% matching requirement for entities for a grant (Pg. 52220, Cost Sharing or Matching Section). We applaud both the statute and the NPP for leveraging federal resources with outside private support. **We do, however, strongly encourage the Department to clarify that existing philanthropic donations to entities can be repurposed and used for this match.** With the recent economic downturn, many foundations have dramatically decreased their giving. Enabling repurposing of existing commitments ensures that the pool of applicants for these grants can remain large, and new funds can be driven from foundations for new ideas. We strongly endorse the flexibility afforded in the NPP to meet this requirement with “in-kind donations.”

Primacy of achievement. Lastly, throughout the Application, the Department references the improvement of school climate under the discussion of evidentiary requirements, “Significance of Effect and Magnitude of Effect” sections on pgs. 52222 and 52223, specifically: “Applicants may also demonstrate success through an intermediate variable that is directly correlated with these outcomes, such as teacher or school leader effectiveness, **or improvements in school climate.**” We strongly encourage the Department to refocus the attention of these grants on the direct achievement of students. The focus of the i3 competition must remain squarely on student achievement and success. The statute is clear on this, and the focus on academic success should remain paramount above all else.

### *Conclusion*

We applaud the Administration for its steadfast desire to improve our nation’s education system. We hope, however, that the Department will consider our recommendations as ways it can maximize and further leverage its unique opportunity with the i3 fund, to support all promising education reforms.

<sup>13</sup> [http://factfinder.census.gov/servlet/GCTTable?\\_bm=y&-geo\\_id=01000US&-\\_box\\_head\\_nbr=GCT-P1&-ds\\_name=DEC\\_2000\\_SF1\\_U&-format=US-1](http://factfinder.census.gov/servlet/GCTTable?_bm=y&-geo_id=01000US&-_box_head_nbr=GCT-P1&-ds_name=DEC_2000_SF1_U&-format=US-1)

<sup>14</sup> [http://www.worldbank.org/oed/education/documents/education\\_primary\\_rationale\\_paper\\_summary.pdf](http://www.worldbank.org/oed/education/documents/education_primary_rationale_paper_summary.pdf)