

Education As An Economic Incentive

A Study prepared for the 3-Trails Community Improvement District



3-Trails Village Community Improvement District
(A Political Subdivision of the State of Missouri)

www.3trailscid.org

Sponsor

Prepared by:

Dr. Elizabeth Noble, Ph.D.

Evaluation Consulting

426 Greenway Terrace

Kansas City, Missouri 64113

(816) 363-6054

Eliazbet.noble@sbcglobal.net

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A CASE FOR ETHICAL DEVELOPMENT

3-Trails Village Community Improvement District (CID) was established in July 2002, by a petition and majority vote of the property owners constituting the 300 acre district. The CID sits boundaries are: Bannister Road on the south, 87th Street on the north, I-435 on the west and Kansas City Southern Railroad on the east. The District lies on the northeast edge of the I-435, I-470 and Highway 71 interchange, formerly known as the “Grandview Triangle and now officially designated by the State of Missouri as “3-Trails Crossing Memorial Highway” (through a CID initiative). Hillcrest Road bisects the District north to south, connecting Bannister Road with 87th Street. The west side contains Bannister Mall and Benjamin Plaza West. The eastern portion includes Benjamin Plaza East, Benjamin Ranch and approximately 150 acres of undeveloped greenfields.

The Bannister Mall/Benjamin Plaza story is well known to Kansas City. Built in the late 1980’s, early 1990’s, as one of the first regional retail shopping centers on the interstate ring with nearly two million square feet of retail space, the Bannister Mall/Benjamin Plaza complex quickly became a major economic engine, at one point producing over 11% of the total sales tax collected in the City of Kansas City, Missouri.

The economic success of Bannister Mall/Benjamin Plaza was short lived. Other competing shopping centers were constructed in the region and the area’s demographics began to change. By the late 1990’s Bannister Mall/Benjamin Plaza was in economic decline – sales and property taxes decreased, businesses closed and property values dropped.

The severity of this economic decline can be illustrated by two examples: (1) Between 2001 and 2005 the CID assessed real estate value dropped nearly 50%, and (2) Between 1993 and 1998 the appraised land value of one district property owner decreased from \$3.50 per square foot to 46¢ per square foot.

In 2000, a major retail revitalization effort was undertaken to secure a Bass Pro store at the north end of Bannister Mall. It was hoped that the Bass Pro store would serve as a retail anchor that would attract other retailers and businesses to stabilize and rejuvenate Bannister Mall and Benjamin Plaza. The City of Kansas City, Missouri and the State of Missouri extended very generous economic incentives to the Bass Pro project, resulting in a City and State TIF district that includes all of the CID lying west of Hillcrest Road.

Despite the tax incentives and nearly two years of significant public sector and community effort the developer was unable to attract any new retailers and Bass Pro ultimately elected to locate elsewhere causing the development plan to collapse. Throughout the Bass Pro effort, the economic trendlines continued downward for the Bannister Mall/Benjamin Plaza and the surrounding area.

The CID formed shortly before the Bass Pro effort died to take advantage of a new state law that granted property owners the opportunity to organize and exert direct control over economic development and revitalization. The Missouri CID law represented a fresh approach to economic development by allowing financial and planning resources to be organized under an independent

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entity at the local/neighborhood level. The law gives the CID primary authority for economic development and revitalization within the CID district under City and State oversight. The law also provides the CID with dedicated revenue sources to ensure it can fund its economic incentives.

Unlike other developmental agencies, the CID is a true exercise in grassroots democracy. It is formed by a petition and majority vote of the district property owners and is governed by a Board of Directors chosen by the property owners. Property owners also determine the amount and the type of CID funding – typically real estate special assessment and/or sales tax. The CID exists at the pleasure of its property owners who can terminate it at any time by a majority vote. In summary, the economic and governmental philosophy underlying the CID law is that the best and most efficient economic development decisions are those made closest to the ground, i.e., the CID property owners acting collectively through the CID entity. Because the CID by law is primarily accountable to its property owners the CID Board of Directors functions much like a traditional New England Village Council.

The CID is an independent agency of the City for economic development and revitalization of the district essentially functioning as a microsystem of the City under State oversight. In its role as a City agency, the CID is mandated to align its activities and programs with the fiscal and economic policies of the City. The CID is also responsible to its property owners to promote its economic master plan at the City level. The relationship between the CID and the City is reciprocal: the CID becomes an instrument for implementing City policies at the district level, while the City receives and promotes CID initiated policies at the City level.

Under state law, the CID is directed to create a master plan for economic development and revitalization of the district. The CID is given broad authority and discretion to construct its master plan, adopt and promulgate economic policies supportive of the master plan, select the appropriate mechanisms for implementing the master plan, and, define the master plan's intended outcome and measurement standards. The law's intent is to provide the CID with maximum independence and flexibility at the district level to most efficiently address the economic needs unique to the district for the benefit of the CID property owners.

A persuasive argument can be made that the CID as a development agency entrusted with public funds has an inherent legal mandate to adopt principles and formulate policies that support the long-term economic health and well-being of the community. This concept of public responsibility is known as "ethical development" because it incorporates "conformity to moral standards" with the process of economic development and revitalization. Ethical development involves much more than just "economic development". It is concerned about the long-term health and well-being of the community today and tomorrow. Most importantly, the cornerstone of ethical development is a respect for human needs, talents and skills. Ethical development connects human and economic development and rests on three principles:

1. **Sustainable:** "to keep in existence; keep up; maintain or prolong". The principle of sustainability or sustainable development was most eloquently defined by the Minnesota Legislative in 1996:

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“Development that maintains or enhances economic opportunity and community well-being while protecting and restoring the natural environment upon which people and economies depend. Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs.”¹

Applying the principle of sustainability to its master plan provides the CID with a logical rationale for deciding which projects, activities and incentives will reap the richest and *most long-lasting* economic rewards for the district.

- 2. Investment Based:** “to put money into business, real estate, infrastructure, etc., for the purpose of obtaining an income or profit”. The principle of investment or “investment-based” obligates the CID to carefully scrutinize and select the most appropriate investment profile for its “investors” (the public funds entrusted to the CID on behalf of the CID property owners). Application of this principle places the CID in the role of a fiduciary or trustee of public monies. This means that the CID must continuously practice public stewardship through its master plan by investing in a prudent and conservative (not speculative) manner under defined policies for maximum long-term economic return that carefully balances risk against preservation of principal.

Application of the principle of investment based decision making greatly expands the criteria for CID master plan initiatives. For example, conventional economic development thinking usually assumes the more jobs created the greater the economic benefit or “return”. A persuasive argument can be made that this assumption is too narrowly focused on short-term results and can encourage bad investment decisions resulting in unanticipated and advert long-term economic consequences.

In contrast, application of investment-based criteria to “jobs” includes a broad array of criteria such as a detailed analysis of wages, demographics, education and skills requirements, workforce place of residence by zip code, housing, healthcare, education needs, number of workers dependent upon public transit, etc. This data would then be weighed against the CID master plan to objectively determine the “real quality” of the jobs created. This expanded development process enables the CID, as a steward of public funds, to make better and more accurate investment decisions by prioritizing its desired “rate of return on its investment” based upon multiple criteria. For example, the CID master plan might discourage solicitation of minimum wage, low wage retail jobs in favor of higher paying, skilled positions, such as researchers, scientists, engineers, etc., that generate significantly more economic benefit over time.

In summary, if the CID master plan calls for skilled jobs worthy of a family-wage level, but the proposed development job profile is low skill retail minimum wage, the CID has a valid economic basis for rejecting the development in favor of one more compatible with its master plan. Under the principle of investment-based decision making, “development for the sake of

¹ Please see Appendix B for excerpts from Minnesota Office of Sustainable Development

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development” based upon narrowly focused short-term criteria, especially with public funds, is unacceptable.

Investment-based decision making tracks and measures tangible return like the projected increase in employment, tax base and tax revenues. It also identifies intangible returns such as the expanded development opportunities and increases in land values created by the strategic placement of public infrastructure, as for example, the locating of Fire Station 41, roundabout, fountain and trail at the intersection of 93rd Street and Hillcrest Road in the CID.

The goal of investment-based development is to produce the highest and most long-lasting (sustainable) return, coupled with protection of investment principle (public and/or private funds) consistent with the CID master plan.

- 3. Accountable:** “obligated to account for one’s acts; responsible; capable of being accounted for; explainable.” This principle raises and expands the CID’s existing legal obligation to provide financial/budget information to its property owners, the City and the State. Accountability, however, has little practical value unless it can be measured by applying objective, relevant and commonly recognized “*standards*” of performance.

Standard: “something established for use as a rule or basic comparison in measuring or judging capacity, quantity, content, extent, value, quality, etc.”

Accountable means the CID will adopt a comprehensive reporting system that accurately discloses its financial and developmental activities through precisely defined standards of performance that ensures compliance with the CID master plan and City economic policies. Under this principle, every aspect of the CID master plan can be reported and “audited” for performance. For example, the leverage ratio of CID dollars to federal grant dollars; administrative expenses as a percentage of gross revenues; statistics relating to sustainability, ecology and education; overall rate of return/economic benefit from CID initiatives; etc., can be independently measured and performance-audited.

Under the ethical development principle of accountability, the CID master plan can be internally and externally measured and compared. For example, the CID, property owners, City and State can measure and audit CID performance on a stand-alone basis or against other CIDs and developmental agencies. Compliance with CID, City and State fiscal and developmental policies can be accurately tabulated and reported. Accountability allows the CID property owners and the public stakeholders to objectively evaluate CID performance in implementing its master plan. Indeed, it is only through the principle of accountability that the CID can document (through a defined audit trail) that its initiatives are producing a satisfactory “real” rate of return on its investment of public funds, consistent with its master plan and thereby justify its continued existence.

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The goals or outcome of ethical development can be summarized as follows:

Economic Prosperity
Environmental Protection
Social Equity

Ethical development introduces a new and different approach to economic incentives. Under this concept, economic incentives must respect and reinforce the principles of sustainability, investment-based and accountability. Ethical development recognizes three economic incentives:

Education
Health Care
Ecology

All of these economic incentives nurture a respect for human needs, talents and skills thereby connecting human and economic development. Education, discussed below, is presented in this study as the *primary* economic incentive of ethical development.

The Bannister Mall/Benjamin Plaza legacy of economic failure makes a most compelling case for the CID to move in a different direction by adopting ethical development as the basis for its master plan. Ethical development requires the CID to break out of the conventional economic thinking of the past by creating and implementing a master plan based upon the principles of sustainability, investment-based and accountability.

Bannister Mall and Benjamin Plaza, representing a massive public and private infrastructure investment comprising over 150 acres, failed in less than 20 years with devastating consequences on the tax base and community economy. Many years will most likely be required to successfully redevelop and recycle this failed greyfield, even under the best of economic circumstances. Moreover, successful redevelopment will entail yet another massive infusion of public and private investment. Under the principles of ethical development, for the CID to pursue a redevelopment master plan based upon the failed economic model from the past can only be characterized as a flagrant breach of its fiduciary duty, a steward of public funds, because what failed before will most likely fail again. Public funds are simply too precious to risk speculating on infrastructure and development with an economic shelf life of less than a decade or two.

The economic collapse of Bannister Mall and Benjamin Plaza serves as a wake up call for the CID to take a fresh approach to economic development and revitalization as other states, most notably Minnesota, have done by adopting ethical development as the foundation of the CID master plan.

Lou Austin, Chairman
3 Trails Village Community Improvement District
September 12, 2006

ETHICAL DEVELOPMENT

Principles:	Sustainable Investment-Based Accountable
Implementation:	Master Plan
Economic Incentives:	Education* Ecology Health Care
Outcome:	Economic Prosperity Environmental Protection Social Equity

“Expanding education in this country is not only a matter of basic human rights it is an economic imperative. We have already seen human capital is the most important investment a country makes.”

Dr. Richard Florida, “Flight of the Creative Class”

OVERVIEW

The issue of economic development is predicated on exploring factors that can propel or impede progress. Minnesota Roundtable for Sustainable Development (server.admin.state.mn.us/pdf/2000/eqb/inv_challenges.pdf) has explored issues that promote economic development. This discussion is occurring in all localities and in all communities. Families seek quality in the performance of the local school districts. Based on current research, the need for schools of excellence is in the best self-interest of all. The discussion is occurring nationally, as well as locally.

The one factor, which is overriding all others, is the globalization of business and industry and what we need at all levels to compete. The business community is recognizing self-interest in the educational development of all citizens, especially the children of school age. Education is the fundamental attraction for families to locate and for businesses to invest. An educated workforce provides the needed skills, and a quality educational system ensures the stable supply of skilled labor. An educated workforce also earns more, which expands the potential market for business goods and services. In order for the CID's master plan and initiatives to be successful, they must incorporate a comprehensive approach to address all issues affecting sustainability, investment and accountability. The statistical reality is that education is related to personal income and to business viability. Education is an investment in "human capital."

The CID has been charged with fostering ethical economic development within its boundaries and collaborating with other governmental entities to foster the initiatives that will contribute to this goal. The CID has examined the legal issues and has determined that working on education, as an economic incentive for ethical development is appropriate. To this end, this study will address some proposed efforts that will benefit business, residential and the community at large.

Positive educational efforts can assist in promoting residential development, raising property values, and increasing tax revenues. This result raises investment for all interests. The educational initiative can promote business interests as expressed by Bill Gates and others on how to prepare for the global economy through local action. The business community can assist in the innovation of education through a directed initiative. Schools such as the Gates schools, the KIPP schools, the Manchester Guild and other business/public school partnerships have recognized that schools with minority and low income populations can be an opportunity to offer programs which match the aspirations of the contemporary youth population.

Business interest and involvement in education is intended not to challenge the traditional form of education in the U.S., but to offer a voluntary partnership to assist innovation that will address the competitive factors in the economy. Education performance needs to marry skills-based learning with the standards of educational achievement.

One of the key elements in successful economic development is the presence of quality public education. Public education is the critical linchpin between viable residential communities and viable business communities. A strong public education system is a strong indicator of the quality of life many single-family homebuyers seek, either for their children, or as an overall assurance of a stable investment. Second, public education remains the core producer of the

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quality workforce businesses require. Finally, a quality workforce earns more money, which stimulates the economy by expanding the market for business goods and services.

This study outlines a model for a community-supported school within the 3-Trails Village CID. The model described proposes to position the school to meet the needs of a number of constituencies, including the children themselves, and to use the school as a significant economic incentive for the economic revitalization of the CID and surrounding area.

CONTEXT

CID Redevelopment Initiatives

3-Trails West New Urban District – Patti Banks and Associates

In 1999, a local property owner commissioned Patti Banks and Associates to prepare a study of the area and recommend an action plan to preserve and enhance economic development opportunities. That study provided the following key conclusions:

- The area was in economic decline and would continue to decline unless extraordinary measures were implemented.
- Substantial out flight was occurring causing the area demographics to shift to a lower income, predominantly minority population. As a result, fewer discretionary consumer dollars were available to support retail activities in the community.
- Competing retail centers were being built throughout the metropolitan area and this new competition was eroding the area's primary asset, the Bannister Mall/Benjamin Plaza shopping center's position as a regional retail power center. As the area transitioned from a regional to a neighborhood center, a significant downsizing in retail activity was likely to occur.
- Future economic opportunities most probably would involve a mixed-use walkable community design that emphasized transit and trails coupled with a substantial quantity of new infill housing and creative recycling of surplus retail space.
- The rich transportation legacy of the historic Santa Fe, Oregon and California Trails, which cross through the area on a common alignment, combined with the study area's ready access to the transportation vortex of I-435, I-470 and Highway 71 offered unique opportunities for direct participation in the regional transportation industry – now known as the SmartPort Initiative.
- Property owners should join together and form an umbrella organization to represent their individual interests. This organization would assume responsibility for developing and implementing an area master plan for the highest and best use based upon the principles of sustainable economic development and revitalization.

The formation of the CID in 2002 was a direct outcome of the Patti Banks Planning study. The Patti Banks study recommendations continue as guiding principles in CID policies and strategies, including serving as the basis for the next CID redevelopment initiative.

Master Plan Study – Kansas State University School of Architecture

In 2005, the CID sponsored a master plan study by the Kansas State University (KSU) School of Architecture. The study used extensive demographic analysis of the area, and was under the

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advisement of nationally recognized development experts Robert Gibbs², Lee S. Sobel³ and Michael J. Wallwork⁴. Key recommendations of that study include:

- Conversion of the existing 1.8 million square feet of retail in the district to a mixed-use community involving not more than 400,000 square feet of retail.
- Combining this retail conversion with approximately 2,000 new infill-housing units to create the “urban village” “live close to work” model.
- Initiatives should capitalize on the area’s historical trails’ legacy and the opportunity for linking the CID into the regional SmartPort Initiative, especially with the CID’s immediate access to the major transportation corridors and the nearby Richards-Gebaur intermodal hub operated by the Kansas City Southern Railroad. The SmartPort Initiative is an opportunity to attract new transportation related businesses to the CID, which in turn will provide expanded markets for new housing in an urban village “live close to work” design. Adding new businesses, workers and residents to the district would enhance retail and other mixed-use business opportunities for the CID.

The KSU study represents an independent validation of the original Patti Banks’ work. Both concluded that successful economic development and revitalization of the CID depended upon new infill housing in a mixed-use new urban design, and attracting new businesses and workforce into the CID in a true live-work environment.

Other Plans and Initiatives

In addition to these two works, the CID has sponsored or participated in a number of additional planning efforts. Each of these details strategies for specific redevelopment or organizational initiatives, and all are predicated on the underlying strategic economic viability of the 3-Trails Village CID. They include:

- *Bannister Road Feasibility Study*
- *3 Trails Transit Station Feasibility Study*
- *87th Street Feasibility Study*
- *Report on Naming Signature Landmarks (Renaming the “Grandview Triangle” to 3-Trails Crossing)⁵*
- *The 3 Trails CID Crime Study*

These studies, as well as the KSU study, are available on the CID website: www.3trailscid.org.

Impacts of Education on Redevelopment

Impacts on Housing

² Robert Gibbs, Gibbs Planning Group, 330 E. Maple No. 310, Birmingham, MI 48009, email: info@gibbsplanning.com

³ Lee S. Sobel, U.S. EPA, Office of Policy, Economics and Innovation, 1200 Pennsylvania Avenue, NW Mail Code: 1807T Washington, D.C. 20460, email: sobel.lee@epa.gov

⁴ Michael J. Wallwork, P.E., Alternate Street Design, 1516 Plainfield Avenue, Orange Park, FL 32073-3925, email: mjwallwork@comcast.net

⁵ In March, 2006, The Signature Landmark Study provided the rationale for the State of Missouri to officially name the I-470, I-435 and Highway 71 Interchange (formerly known as the “Grandview Triangle”) as the 3-Trails Crossing.

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The ability to construct new infill housing within the CID to attract the desired economically and socially diverse population is a direct function of this market's perception of the public school system that serves the Hickman Mills C-1 School District. Prospective homebuyers with economic choice typically want to buy a house in a neighborhood having good schools. For parents of school age children, locating within a good school district is often the top priority when deciding where to purchase a home. Homebuyers without children have similar concerns knowing that their home values will be more stable and their resale values likely to be higher for houses situated within a good school district.

The public's perception of a school district may not be factually justified but from a purely market driven standpoint, the importance of the school district's perceived quality ("perception is in fact reality"), in addition to its measurable quality, cannot be overestimated when assessing consumer attitudes.

Impacts on Business and Workforce

The business community also seeks locations of educational excellence. There is significant evidence from the economic development industry that quality public education is replacing location factor considerations such as utility costs, wage rates, and conventional economic development incentives (TIF, tax abatement, etc.). Where the latter factors have reached some parity across a variety of locations, quality education remains a significant variable.

Quality public education is important to business because it is a major component of so-called "quality-of-life" for employees. For businesses to remain competitive, they must be attuned to all considerations that help them attract and retain good employees, and good school systems are certainly one of those considerations. However, businesses have considerations of their own. Quality public education produces a reliable supply of talented and skilled workers prepared to work – in both highly technical fields and service industries. Inability to find a talented and skilled workforce is causing businesses to increasingly roam outside of the United States in search of such talent. Paul Krugman's New York Times article on Toyota's decision to locate in Canada instead of Alabama makes this point quite clearly.

"What made Toyota so sensitive to labor quality issues? Maybe we should discount remarks from the president of the Toronto-based Automotive Parts Manufacturers' Association, who claimed that the educational level in the Southern United States was so low that trainers for Japanese plants in Alabama had to use "pictorials" to teach some illiterate workers how to use high-tech equipment.

But here are other reports, some coming from the state officials, that confirm his basic point: Japanese auto companies opening plants in the Southern U.S. have been unfavorably surprised by the workforce's poor level of training.

There's some irony here for Alabama's governor. Just two years ago voters overwhelmingly rejected his plea for an increase in the state's rock-bottom taxes on the

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affluent, so that he could afford to improve the state's low-quality education system. Opponents of the tax hike convinced voters that it would cost the state jobs.”⁶

The cost to businesses to educate and train workers for even entry-level jobs must also be factored into the equation when decisions are made where to locate or expand. Many companies spend thousands of dollars per employee just to bring workers up to entry-level workplace skills. Educationally advanced communities producing highly talented, skilled and motivated workers can save companies locating in such communities millions of dollars in unnecessary educational costs.

Historically, U.S. businesses have only had domestic markets to choose from to find that talented workforce. Increasingly they are looking to foreign markets. In a recent study by the Ewing Marion Kauffman Foundation, the point is made that “lower labor costs in emerging markets are not the main reason for hiring researchers overseas, though they are a consideration. Tax incentives do not matter much.” The report concluded, “Multinational corporations were global shoppers for talent. (As such there needs to be an environment that fosters the development of a high quality work force and a productive collaboration between corporations and universities if America wants to maintain a competitive advantage.) There is no (United States) monopoly on brains, and none on education either.”⁷

The trend of businesses going to foreign markets in search of a skilled and talented workforce has ominous, long-term implications for sustainable economic development in the United States. As the study further points out, “more companies in the survey said they planned to *decrease* research and development employment in the United States and Europe than planned to increase employment.” This finding suggests an erosion of competitive viability in the United States for research and development jobs.

The trend of domestic businesses increasingly going overseas in search of a workforce because American education is failing to produce talented and skilled graduates shows quite clearly in the following chart.

**CHART 1.
AMERICAN STUDENTS ARE FALLING BEHIND**

As they get older, U.S. students fall back in the pack:

	1985	2000	Change
U.S. 4 th -graders	127,556	207,459	+7 out of 6%
South Korea	192,539	56,508	+16 out of 40%
United Kingdom	9,630	20,280	+111%
U.S.	74,425	59,536	-20%

⁶ Paul Krugman, New York Times, July 25, 2005.

⁷ “Talent, Not Costs: Why Research is Going Global,” Ewing Marion Kauffman Foundation study dated February 16, 2006.

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More than half of all engineering doctoral degrees from U.S. colleges go to non-U.S. citizens:

Total	5,502 (2001 data)
U.S. citizens	2,139
Non-U.S. citizens	3,068
Citizenship unknown	295

Sources: National Science Board, U.S. Department of Education
Kansas City Star, Sunday, April 9, 2006

According to the Bureau Labor of Statistics “Science and engineering are expected to be among the biggest creators of new jobs in the next decade.”⁸ The fact that the number of U.S. students earning engineering degrees dropped 20% between 1998 and 2000 while other countries showed increases of more than 100% does not bode well for long-term U.S. economic development and competitive viability. It also points out education’s critical importance as a strategic economic engine.

Education and Creative Talent

In Richard Florida’s book *Flight of the Creative Class*, Dr. Florida suggests that the challenge for the United States in an age of globalism is to compete successfully for the creative talent in technology and science as well as business and entrepreneurial talent. The beneficiaries of United States’ creative talent have been the communities in Ireland, United Kingdom, Canada, Australia, as well as India and China. These countries are active recruiters of the United States’ top graduates from top U.S. academic institutions.

*“Talented people are a global factor of production able to choose among economically vibrant and attractive regions of the world over. My interviews, discussions, and focus groups with creative class people in not just the United States but in Canada, Europe, and Asia too, convince me that what they have in common more than anything else is the view that the labor market for their skills and services operates on a global scale. They search for work locations across borders, and will go to places that offer abundant economic opportunity, exciting cultural and social environments, world-class amenities, and the freedom to be themselves and realize their dreams. The competition for global talent now stretches across every field and continues to heat up.”*⁹

He suggests that the brain drain, which has supported United States innovation, is now in a reverse brain drain pattern. Creative and talented individuals are seeking environments, which have three attributes talent, technology and tolerance.

*“What will the effects of such an altered talent landscape mean to the U.S. Economy? While it is impossible to fully quantify the effects of the lost brainpower, other evidence, much of it collected by the U.S. business community, suggests that the U.S. may be seriously losing out in real dollars and cents on the talents of a wide range of foreign scientists, engineers, inventors and other professionals.”*¹⁰

⁸ Kansas City Star, Sunday, April 9, 2006.

⁹ Richard Florida’s book *Flight of the Creative Class* page 145-146.

¹⁰ Richard Florida’s book *Flight of the Creative Class* page 122.

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The thesis of Dr. Florida goes on to suggest a need for an agenda for the Creative Age or the age of globalism.

*“To succeed and to prosper in the creative age, the United States and other nations and regions around the world will need to make the transition from industrial to creative societies by investing in their people, building up their creative capital and remaining open, tolerant societies. This is not just in their individual interest. The creative age holds out the promise to harness the talents and reward the energies of a far greater number of human beings and for the first time to connect economic and human development.”*¹¹

The cities are considered to be the key to economic revitalization. Dr. Florida indicated that cities in the past have been the responsibility of mayors and city planners and are often the reservation of populations of the poor.

*“Urban policy must be resurrected from the backwaters of social policy and become a cornerstone of national competitiveness planning. A strong urban policy is as important to our nations future as a strong innovation policy.”*¹²

*“Expanding education in this country is not only a matter of basic human rights it is an economic imperative. We have already seen human capital is the most important investment a country makes.”*¹³

The conclusion of the *Flight of the Creative Class* is that the need to address economic issues is connected to the needs of the education systems and is intrinsic to the revitalization of the urban community.

A growing number of business leaders agree with Microsoft founder Bill Gates when he says,

*“America’s high schools are obsolete. By obsolete, I don’t just mean that our high schools are broken, flawed, and under funded though a case could be made for every one of those points. By obsolete, I mean that our high schools – even when they’re working exactly as designed – cannot teach our kids what they need to know today. Training the workforce of tomorrow with the high schools of today is like trying to teach kids about today’s computers on a 50-year old mainframe. It’s the wrong tool for the times. Our high schools were designed fifty years ago to meet the needs of another age. Until we design them to meet the needs of the 21st century, we will keep limiting - even ruining the lives of millions of Americans every year. Today, only one third of our students graduate from high school and are ready for college, work, and citizenship. The other two-thirds, most of them low-income and minority students, are tracked into courses that won’t ever get them ready for college or prepare them for a family-wage job – no matter how well the students learn or the teachers teach. This isn’t an accident or a flaw in the system, it is the system.”*¹⁴

Mr. Gates’ argument that American high schools are obsolete has support in the academic community as well. A recent article in the Kansas City Star about the increasing number of

¹¹ Richard Florida’s book *Flight of the Creative Class* page 245.

¹² Richard Florida’s book *Flight of the Creative Class* page 259.

¹³ Richard Florida’s book *Flight of the Creative Class* page 254.

¹⁴ Bill Gates, National Education Summit on High Schools, October 2005.

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college freshmen “who do fine in high school then end up needing help with the basics in college,” cites a 2005 national study by the American Diploma Project; “two of the five college students are not adequately prepared to meet college expectations. And 40 percent of public high school graduates say they are unprepared for college or work.”¹⁵

The article goes on to say, “ill-prepared high school graduates are a problem in every state, but it's just that most people don't know about it, said Matt Sandal, Executive Vice President of Achieve, a bipartisan nonprofit organization to help states raise academic standards in public schools.”

According to Barbara Townsend, a professor of higher education at Missouri University, “remedial education is not sufficient to address the problem. National data indicate that of the college students enrolled in remedial reading their freshmen year 70% do not graduate college within eight years. To me, they should have been prepared for reading and English in K-12.”

The Star article underscores the point that American high schools are systematically failing to prepare graduates for college. It also reveals that colleges are having to divert higher education resources to provide under-performing students with remedial classes that public schools have already been paid to do – in essence the taxpayers are paying twice to educate students.

The following chart showing the percent of Missouri and Kansas college freshmen in remedial courses and the editorial from the Kansas City Star further evidence that earning a high school diploma in America increasingly means the student is *not ready to go on to college*.

CHART 2.

Percent of college freshmen in remedial courses:

Kansas (2003-2004)	Missouri (2005)
24% - reading	10% - reading
33% - writing	18% - English, including writing
57% - math	29% - math

Source: Kansas Board of Regents and Missouri Coordinating Board for Higher Education

A disturbing trend

A college education should develop a student's powers of critical thinking. It should widen his or her views of the world and be a broadening experience. Those goals can't be achieved if a college student must spend large chunks of time in remedial courses.

A report by the Missouri Department of Higher Education says more first-year college students than ever are enrolled in remedial courses at the state's two- and four-year institutions.

¹⁵ Kansas City Star, Friday, April 7, 2006, “In College, but not yet up to par” by Mara Rose Williams.

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More than a quarter of college freshmen in the state are enrolled in remedial math classes. Almost a fifth take remedial English and writing classes.

The disturbing trend is not confined to Missouri. Other states report similar if not worse numbers. In Kansas, more than half of the college freshmen are taking remedial math, according to the Board of Regents.

There's plenty of blame to go around. Many students graduate from high school without adequate math, reading, and writing skills. Any college professor can attest to that.

Schools must do a better job of instilling these critical skills in all of their students. Even students with good high school records, however, can find themselves needing help in college if they don't know how to study or to organize their time. Those skills seem to be on the decline.

Remedial courses stand as a necessary evil, but the college experience should be about expanding the mind, not simply learning to write a sentence.

Kansas City Star April 9, 2006

Businesses have a third reason to be preferred stakeholders in quality education. They know all too well that competitive viability in a global economy depends upon a reliable source for a talented and skilled workforce. They also know that raising the economic livelihood of the workforce through education increases purchasing power and expands market share, because an educated workforce can afford to purchase more business services and goods.

In response to the increasing shortage of talented and skilled workers, some businesses are beginning to take some very innovative steps towards more direct participation in the educational process. One of these steps is discussed in Sue Shellenbarger's Wall Street Journal article entitled, *In Their Search for Skilled Workers, Big Employers Go To Summer Camp*:

"With skilled-labor shortages looming, some employers are moving to solve the problem by winning the hearts and minds of the young – the very young.

In an effort to tap future workers in middle school or earlier, big employers, including IBM, Texas Instruments, Exxon Mobil and Boeing, are increasing their backing of career-driven summer camps. The camps promote kids' interest in fields ranging from engineering and aerospace to computer security. The efforts are yielding new opportunities for families, and insights into how to help kids explore promising careers.

The American Business Collaboration, a corporate partnership, will expand a middle-school science and technology camp program this summer to serve 500 kids at 10 camps in five U.S. cities and overseas, up from 300 campers at eight programs in 2005. The program is funded by IBM, Texas Instruments and Exxon Mobil. Texas Instruments is also expanding its support of middle- and high-school science and physics camps in Dallas and Plano, Texas. Boeing is exploring possible expansion of a popular summer science camp for first- through 12th-graders near Huntington Beach, Calif. AT&T backs three science and math camps in Detroit and Chicago, and Intel sponsors three science camps in Colorado and Oregon." ¹⁶

¹⁶ Wall Street Journal "In Their Search for Skilled Workers, Big Employers Go to Summer Camp" February 23, 2006.

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The businesses-backed career summer camp initiative underscores and amplifies the ethical development premise that education is the primary economic incentive.

National Education Assessment

The one agreement in the educational community is that children today and the schools of today are not achieving sufficiently to meet the needs of global competitiveness or to provide a family-wage for the work force, especially lower income and minority children. On this point, it is very important to note that one out of every two children born in the United States today is a child of color. The association between lower test scores, lower economic class, minorities and under-performing traditional public schools is relevant.

The increasing number of low-income minority students entering public school systems, which are not effective, suggests the problem is increasing exponentially as American demographics continue to change at the same time global competition increases. It should be emphasized that this problem is not confined to poor and minority students in under-performing traditional public schools. It is worth repeating the Bill Gates' comment about American high schools, "By obsolete, I mean our high schools – even when they're working exactly as designed – cannot teach our kids what they need to know today." This suggests that traditional public education is failing nationally¹⁷ to educate systematically as well as demographically.

The learning style of children who have grown up in an era of technology and computers is more suited to learning by doing and practical application of knowledge to real life situations than the current model allows. This method of learning was advanced by Thomas Dewey in the early 20th century and has been adopted in Japan, India, China and other educationally advanced societies. These societies are increasingly competing with the United States for the talented and skilled workers in the emerging global economy. Likewise, within the United States, local communities are increasingly competing against each other for economic development. All of these communities can and do provide a variety of tax incentives to attract economic development and retain businesses, but more and more of the development is going to the communities who can provide a strong education system that produces a reliable supply of talented and skilled workers qualified to earn a family-wage. These educationally advanced communities now have the competitive edge for economic development and business retention.

The role of education in economic development and revitalization must be reconsidered if communities are to remain competitive. Astute business leaders recognize that public education can no longer be viewed as "the state's responsibility" or "the other guy's problem." Rather, businesses, community stakeholders and enlightened public officials must organize, establish priorities and form collaborative partnerships with public education based on mutual economic self-interest. The goal is to promote innovation within the traditional public education by focusing on techniques calculated to best meet the reciprocal economic needs of business, community, public sector and public education for a talented and skilled workforce worthy of a family-wage.

¹⁷ Please note the article entitled "Dropout Nation" in the April 17, 2006 issue of Time magazine. Also note the Oprah Winfrey special report: *American Schools in Crisis* that aired on April 11 and 12, 2006.

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The principles of ethical development make a compelling argument that the primary economic incentive is education, because talent and skills are the human capital investment that increasingly fuel the economic engines of the global economy. Minority and lower income students present a unique opportunity for achieving educational excellence through a new collaborative approach of learning based upon practical application and internship. The goal is to provide them with the skills required to effectively participate in a global economy.

The high schools sponsored by the Bill and Melinda Gates Foundation¹⁸, the KIPP schools, the Manchester Guild and the Christo Rey schools are but a few of the many examples of innovative, applied-learning schools created through a business initiative designed to bring skills-based learning to youth. These schools link public sector ethical development principles (sustainability, investment-based and accountability), economic and planning policies, business needs and public education to work together in a voluntary collaborative partnership. This ensures an adequate supply of workers with the talents and skills required to successfully compete against other international workers in the new global economy. These schools invest in human capital.

Local Education Assessment

The CID is in the Hickman Mills C-1 School District (Hickman Mills). The following charts compare Hickman Mills against eight other area public school districts on the basis of test scores, wealth and percentage of minority enrollment. The school districts surveyed are: Center, Grandview, Raytown, Kansas City Missouri, Lee's Summit, Blue Springs, North Kansas City and Independence. For purposes of discussion, the terms "performing" and "under-performing" will be used in describing school district quality to be consistent with state and federal public school criteria.

The following charts review the experience of the local districts compared to state educational targets. The charts present the statistics related to performance and to school characteristics relative to demographics.

Chart 3 reflects the math scores on the MAP tests. These tests are conducted annually and form the assessment process by the state educational agency on schools that are performing schools and schools that are non-performing schools.

CHART 3. School District DESE¹reports on Math Scores²

	2002	2003	2004	2005
Lee's Summit	37.1	35.1	37.3	40.6
Blue Springs	32.5	33.1	31.9	34.0
North Kansas City	24.1	24.8	26.8	26.8
Independence	20.4	20.0	19.9	25.4
Raytown	19.4	16.9	18.5	19.4
State of Missouri Target Scores	8.3	9.3	10.3	17.5

¹⁸Please see Appendix B for information on the Gates' MET applied learning school model.

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Kansas City Missouri	8.7	10.1	12.2	13.9
Grandview	14.7	12.6	14.1	13.1
Center	12.2	18.2	16.7	12.1
Hickman Mills	9.6	8.6	10.4	10.6

¹Missouri Department of Education and Secondary Education.

²School districts are ranked by 2005 test scores.

Chart 3 shows the math test scores and suggests a bifurcation in performance in relation to location. Some suburban schools appear to exceed the state targets while other schools in the inner city and older ring subdivisions appear to not achieve the state targets.

Conclusion: Hickman Mills (10.6 score) ranked last of the 9 school districts surveyed and below the state target score of 17.5. Based on MAP math test scores state targets, Hickman Mills is an under-performing district.

Chart 4 reflects the communication arts scores on the MAP tests. These tests are conducted annually and form the assessment process by the state educational agency on schools that are performing schools and schools that are non-performing schools.

CHART 4. School District scores DESE¹ Communication Arts²

	2002	2003	2004	2005
Lee's Summit	44.0	38.9	42.9	40.4
Blue Springs	45.7	41.	41.7	38.2
Independence	32.1	29.9	30.6	33.4
North Kansas City	33.	29.1	31.6	31.6
Raytown	29.6	26.6	24.6	28.3
State of Missouri Target Scores	18.4	19.4	20.4	26.5
Center	23.7	27.9	20.7	22.7
Grandview	26.2	23.0	20.3	20.6
Hickman Mills	16.1	16.1	13.9	14.9
Kansas City Missouri	14.4	12.9	13.1	14.3

¹Missouri Department of Education and Secondary Education.

²School districts are ranked by 2005 test scores.

Chart 4 shows the communication arts tests scores and repeats the pattern of Chart 3, suggesting a bifurcation in performance in relation to location. The same schools (Lee's Summit, Blue Springs, Independence, North Kansas City and Raytown) scored highest in communication arts as they did in math.

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Conclusion: Hickman Mills (14.9 score) ranked second to last of the 9 school districts surveyed and below the state target score (26.5). Based upon communication arts test scores state targets, Hickman Mills is an under-performing district.

Chart 5 shows the demographic breakdown in the state of Missouri school age children.

CHART 5. All School District percentage of minority enrollments¹

Missouri	2001	2002	2003	2004	2005
Total	893,978	891,188	894,470	895,965	891,847
Asian	1.2%	1.2%	1.3%	1.4%	1.5%
Black	17.4%	17.5%	17.7%	17.9%	17.8%
Hispanic	1.8%	2.0%	2.3%	2.5%	2.8%
Indian	0.3%	0.3%	0.3%	0.4%	0.4%
White	79.3%	79.0%	78.4%	77.8%	77.6%

¹Missouri Department of Education and Secondary Education.

Conclusion: Chart 5 suggests that the demographic profile of Missouri school age children is becoming more diverse with an increasing minority population being reflected in the school age profile.

Chart 6 shows Non-Minority (white) enrollment in the area schools compared with the state profile. The chart reflects the enrollment pattern for the local school districts.

CHART 6. All School District percentage of NON-minority (white) enrollments⁽¹⁾⁽²⁾

	2002	2003	2004	2005
Independence	87.5	85.8	84.3	82.9
North Kansas City	85.4	83.1	81.0	78.4
Blue Springs	79.0	78.4	77.9	77.6
State of Missouri White Enrollment	79.0	78.4	77.8	77.6
Lee's Summit	65.7	62.7	59.7	56.4
Raytown	65.7	67.2	59.7	56.4
Grandview	42.7	40.0	38.0	37.0
Center	36.2	33.9	30.8	29.6
Hickman Mills	26.9	23.7	20.4	18.3
Kansas City Missouri	15.4	14.7	13.9	13.4

¹Missouri Department of Education and Secondary Education.

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²School districts are ranked by 2005 data.

Conclusion: Chart 6 suggests that the demographic profile of the area school districts is becoming more diverse with increasing minority populations being reflected in the district profiles. Hickman Mills (18.3% NON-minority) ranks only above Kansas City Missouri (13.4% NON-minority) for the lowest percentage of NON-minority enrollment of the 9 school districts surveyed. Hickman Mills has an 81.7% minority student enrollment. It can be classified as a minority school district.

Chart 7 shows the numbers of school age children who are eligible for the free and reduced lunch program in the surveyed school districts. The number of school age children who are eligible for this program reflects the influence of poverty factors that are present in the local school districts.

CHART 7. Students Eligible for Free or Reduced-Price Lunch⁽¹⁾⁽²⁾

	2002	2003	2004	2005
Lee's Summit	7.3	8.7	9.9	10.6
Blue Springs	8.7	10.3	11.9	14.1
North Kansas City	23.8	26.2	30.0	33.4
Raytown	30.1	31.8	37.8	39.7
State of Missouri	37.9	37.2	40.5	41.8
Independence	33.9	37.7	37.5	45.9
Grandview	41.0	42.5	47.2	56.2
Center	49.7	52.8	58.6	61.9
Hickman Mills	51.4	57.4	60.4	64.9
Kansas City Missouri	77.8	79.0	79.8	80.7

¹Missouri Department of Education and Secondary Education.

²School districts are ranked by 2005 data.

Conclusion: Chart 7 shows that the number of school age children who receive the free and reduced lunch program is growing. This result suggests that families in some of the suburban districts are increasingly experiencing financial problems. Children from families that are struggling with financial issues are often in need of greater services from the schools. Hickman Mills (64.9%) ranks second to Kansas City Missouri (80.7%) with the highest percentage of students eligible for the free and reduced lunch program. Hickman Mills has been significantly impacted by the influence of poverty factors.

Chart 8 reflects a composite rating of Charts 3, 4, 6 and 7 which ranks the 9 school districts surveyed by test scores, percentage of NON-minority (white) enrollment and percentage of students eligible for the free and reduced lunch program.

CHART 8. School District Composite Rating¹

	Math	Lang. Arts	% Non-Minority	% Free Lunch	Total	Rank
Lee’s Summit	1	1	4	1	7	1
Blue Springs	2	2	3	2	9	2
North Kansas City	3	4	2	3	12	3
Independence	4	3	1	5	13	4
Raytown	5	5	5	4	19	5
Grandview	7	7	6	6	26	6
Center	8	6	7	7	28	7
Kansas City Missouri	6	9	9	9	33	8
Hickman Mills	9	8	8	8	33	8

¹School districts are ranked by 2005 data.

Conclusion: This chart suggests a strong correlation between wealth, race and test scores. Hickman Mills (33) tied with Kansas City Missouri (33) and ranked last on a composite score basis.

The following conclusions can be fairly drawn from revisiting the data presented in the preceding charts:

- The State of Missouri and the local school districts are experiencing a greater diversity of populations being educated in the public schools.
- More students are eligible for free and reduced lunch programs, indicating more children in poverty are being educated in the public schools.
- There is a strong correlation between lower test scores, minority enrollment and poverty as shown in Chart 8. This pattern is typical throughout the United States within the traditional public school systems – suburban versus urban, wealth, percentage of minority enrollment, test scores, etc.

Conclusion: The performance standards shown on the preceding charts classify Hickman Mills as an under-performing school district. When compared on a composite basis against the 9 school districts surveyed, Hickman Mills ranks last – tied with Kansas City Missouri.

At best, Hickman Mills’ under-performing status creates a strong marketing barrier for the CID’s recommended new infill housing and business recruitment/retention initiatives. At worst, it may threaten the feasibility of implementing the CID master plan altogether.

Alternatively, the current education situation presents the CID and Hickman Mills with a unique opportunity under ethical development principles to harness public education as the primary

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economic incentive to jumpstart the redevelopment and revitalization of the CID and the 3-Trails area.

The Gates, KIPP, Manchester and Cristo Rey applied learning/internship school models have all demonstrated success in educating predominately low income, minority, at-risk students. For example, the Gates sponsored MET school in Providence, Rhode Island has one of the highest graduation rates in the state, exceeded the no child left behind goals set for Rhode Island in 2007, saw a 79% increase in math scores and a 23% increase in language arts scores from a three-year average. The MET also had 18% more students proficient in math and 14% more students proficient in language arts than the largest Providence high schools.¹⁹

The MET success story is best summarized in Bill Gates' own words:

“At the Met School in Providence, Rhode Island, 70 percent of the students are black or Hispanic. More than 60 percent live below the poverty line. Nearly 40 percent come from families where English is a second language. As part of its special mission, the Met enrolls only students who have dropped out in the past or were in danger of dropping out. Yet, even with this student body, the Met now has the lowest dropout rate and the highest college placement rate of any high school in the state.

These are the kind of results you can get when you design a high school to prepare every student for college.”

The MET racial demographic breakdown in 2005 was 76% minority and 24% NON-minority compared to 81.7% minority and 18.3% NON-minority for Hickman Mills. In the category of percentage of students eligible for free or reduced lunch in 2005, 68% of MET students were eligible and 64.9% of Hickman Mills students were eligible. The MET and Hickman Mills are similar demographically.

The evidence presented in this study supports the creation of a CID school of excellence as an economic incentive to implementing the CID master plan. The CID can form a collaborative partnership with Hickman Mills (and other school districts) based upon mutual economic and academic self-interest. The CID school, conceptually discussed below, will select the best techniques of successful, applied learning/internship school models throughout the world, then carefully craft them into a unique CID school model specifically designed to address local academic and economic needs. Under the philosophy of ethical development, the goal of the CID school is the elevation of student skills and performance through a school of excellence based upon applied learning and internship. Simultaneously, the CID school becomes an attraction that elevates and enhances the CID and community economic base. The CID school is the primary incentive for jumpstarting and sustaining the CID economic engine under the principles of ethical development.

¹⁹ Please see Appendix B for additional information about the MET School.

PROPOSAL – The CID School as a Catalyst for Revitalization

3-Trails Village CID, a governmental unit statutorily vested with the responsibility and authority to promote ethical development, has a unique opportunity to sponsor a school of excellence. The CID school would be based upon applied learning and internship. Under the principles of ethical development, the CID school would serve as a perpetual economic incentive for development of the district. The CID school would be similar in some respects to the Gates, KIPP, Manchester and Christo Rey models, which have been successful in creating schools of excellence, especially with lower income and minority students.

This innovative approach of strategically positioning public education as the “centerpiece” economic incentive expands the CID developmental opportunities far beyond conventional tax incentives, such as tax increment financing and tax abatement. A school of excellence can provide the CID with a unique competitive edge more so than conventional tax incentives that, as a practical matter, can be offered just about everywhere.

An argument can be made that conventional tax incentives are actually detrimental to ethical development over the long term because they divert funds away from public education. Reduced funding negatively impacts public education’s ability to produce a reliable, talented and skilled workforce worthy of a family wage. Low and unskilled workers earn less, reducing their consumer purchasing capability for business goods and services, which in turn depresses the economic metabolism. This cycle can lead to a cascade of unanticipated and negative economic consequences resulting from the “dumbing down” of society, most notably, a reduction of purchasing power, an erosion of domestic competitiveness and a diminished standard of living.

A case can also be made that conventional tax incentives, which tend to be sales tax and minimum wage, retail job driven and which rarely address the aspects of education, ecology and health care on economic development, are increasingly obsolete. There is increasing evidence that indicates these incentives are losing their effectiveness in a global environment that has leveled the playing field for conventional tax incentives while prioritizing talent, skills and education, i.e. human capital. This suggests that even when working exactly as they were designed to, conventional tax incentives may in fact be the “wrong tools for the times” because they are now commonplace and fail to adequately take into consideration the impact of education, ecology and health care on long-term economic development and the overall health of the community.

This is not to suggest that conventional tax incentives are no longer a part of the economic development “tool chest.” They still have a place if properly qualified and implemented consistent with defined economic policy and standards of performance. Regardless, it is prudent and appropriate under the principles of ethical development for the CID to formulate its master plan policy around a diversified portfolio of economic incentives (including conventional tax incentives) to maximize CID flexibility, choice and competitive advantage.

The CID school of excellence model represents a “fresh start” approach to economic incentives by applying the principles of ethical development. Through this approach, the CID school serves as a powerful economic magnet to attract new homebuyers into new CID infill housing. It also

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attracts businesses wanting to locate in an area with a proven source of talented and skilled interns and workers. These businesses will have the additional opportunity to offer their workforce the option of a CID “live close to work” community, centered by a public school of excellence.

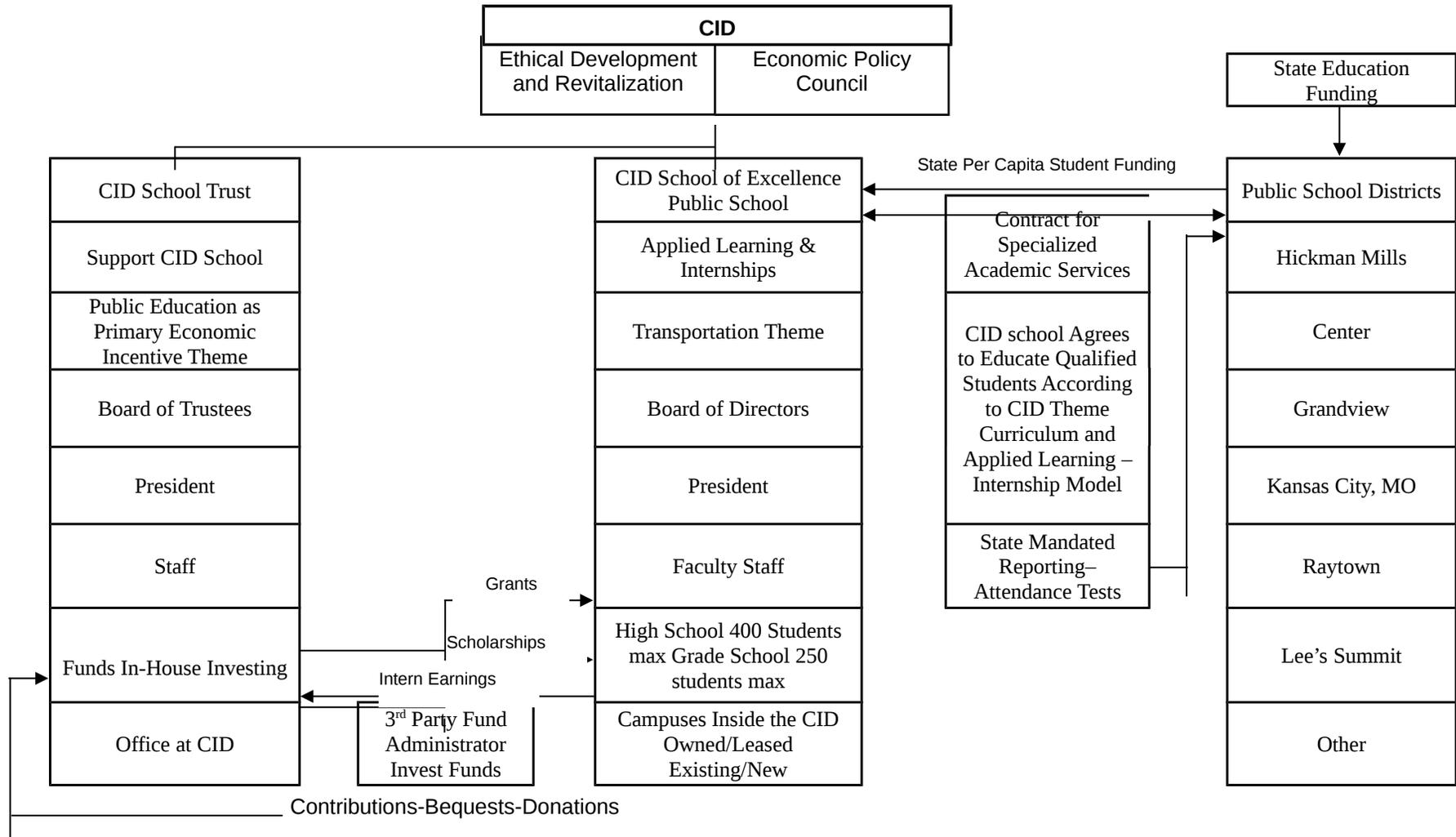
A CID school of applied learning and internship falls squarely within the CID’s legal mandate to promote economic development and revitalization of the district. A successful CID school effort can be expected to increase property values, expand the tax base, increase economic activity, change the public perception of the district in a positive manner and become a perpetual-motion economic engine, powering sustainable development in the CID and the surrounding community.

Following is a concept profile for the CID school, including discussions of:

Theme (transportation),
Organizational structure,
School site concept, and
Curriculum and faculty.

The CID school conceptual profile is shown on the following page as Chart 9.

CHART 9. How the CID School Works



3-Trails Polytechnic School

“Ethical Economic Development Through Education”

Theme: Transportation, Science and Technology

The history of Kansas City is rooted in transportation. The City’s founding was associated with its geographical prominence on the Missouri River and the connection the river afforded to the Santa Fe, Oregon, and California Trails. Kansas City’s economic base expanded with the growth of the rail and ultimately the aviation industries. Kansas City ranks at or near the top of lists for transportation and foreign trade activity. As public policy, Kansas City has recognized this importance with the implementation of the SmartPort Initiative.²⁰

The 3-Trails Village CID is uniquely positioned to capitalize on this transportation identity. The District straddles the Santa Fe, Oregon, and California National Historic Trails. Kansas City Southern Railroad, linking Kansas City to Canada and Mexico, forms the district’s east boundary. On the west, the CID is adjacent to the “transportation vortex” of I-435, I-470 and Highway 71 and the District is just a few minutes drive down Highway 71 from the new Richards-Gebaur Intermodal Hub, a major component of the SmartPort Initiative.

Transportation in an international economy requires workforce skills in technology and science. In addition the Kansas City region is increasingly a center for life sciences and research. Adopting transportation, technology and science as the CID school theme will draw upon the region’s rich transportation heritage and emerging role as a center for science and research, presenting real and meaningful opportunities for partnership and collaboration, and provide the foundation for a school curriculum strategically positioned to capitalize on the regional economy and infrastructure.

Organizational Structure

Economic Policy Council

The purpose of the Economic Policy Council is to advise the CID in the formation and implementation of the CID master plan for ethical development, consistent with the principles of sustainability, investment-based and accountability together with the economic incentives of education, health care and ecology. The Council would advise the CID in the formation of economic policies to implement the CID master plan consistent with City and State policies. Economic policies developed by the Council and CID positions the CID to be a responsible fiduciary and public steward, fully accountable for its investment of public funds.

The Economic Policy Council’s members would be carefully chosen by the CID board to represent a cross section of business, public sector and citizen interests. The Chairman of the Council would be selected by the CID Board. Examples of representation on the Economic Policy Council might include:

²⁰ For information on the SmartPort Initiative please see www.kcsmartport.com

Business – Businesses with an interest in CID initiatives, SmartPort, HomeBuilder’s Association and other trade organizations aligned with the CID’s master plan and economic incentives.

Public Sector – City of Kansas City, Missouri (Finance, Planning & Development), other CIDs, other developmental agencies, state and federal agencies.

Citizens –Neighborhood and community representatives, social service agencies.

While Economic Policy Council members might also sit on the CID school board, the primary role of the Council is to serve as an advisory body to the CID and the CID school on matters of economic policy and implementation of the CID school as an economic incentive for development and revitalization. The Council would provide oversight and review over CID school curriculum, testing and admission standards, operations and facilities to make certain the school is fully integrated into the CID master plan. The Minnesota taskforce study recommendations discussed elsewhere in this report as it relates to education’s role in ethical development might serve as a guide to the Council’s relationship to the CID and the CID school.

The Economic Policy Council would support the CID school by recruiting businesses to provide internships, and by raising monetary and in-kind contributions to the school and the CID school trust discussed below.

As a part of the CID, the Economic Policy Council would form an umbrella organization over the CID school ensuring representation from the business, public sector and citizen stakeholders. All of these interest groups would have a direct or indirect vested economic interest in the success of the CID school. This economic self-interest would motivate members of the Council to exert influence over school policies and operations ensuring accountability and performance-based measurement standards to the community.

The Economic Policy Council reinforces the CID school’s mission to produce a talented and skilled workforce through a school of excellence. A workforce that is worthy of a family-wage and educated to successfully compete in an international economy. The Council would incorporate the CID school model into a “template” that would allow the CID school model to be quickly and efficiently replicated elsewhere in the City (ideally through other CIDs), as well as regionally and nationally. School replication matches the philosophy of the Bill and Melinda Gates Foundation and others who see a critical need for a successful model that allows schools of excellence to be quickly duplicated throughout the United States.

The Economic Policy Council would most likely be organized as a semi-autonomous internal body of the CID. It could be separately budgeted and funded by the CID, creating the flexibility to hire outside professionals and economists to advise it and the CID board. Membership would be concentrated – probably not more than 6-12 members.

School Structure and Organization

For purposes of operating the CID school, the CID would form a separate, not-for-profit entity. A board of directors selected by the CID would oversee school operations and establish school policies with the advice and input of the Economic Policy Council. CID board members could also sit on the CID School Board.

The CID School Board, with the advice of the Economic Policy Council, would determine the specific design of the school and create a detailed business plan for implementation. School design can be as creative as necessary to best meet the specific objectives of the CID to promote ethical development and revitalization of the District. The School Board would be responsible for the adoption of policies, which might include policies on:

- Recruitment and retention of students and faculty
- Admissions standards
- Testing and graduation requirements
- Scholarships and internships
- School operating procedures
- Codes of conduct

Admission to the CID school would be through the admission committee under the standards and protocols established by the CID School Board with the advice of the Economic Policy Council.

CID school operations, including the hiring of faculty and staff, would be the responsibility of the school president selected by the CID School Board.

CID School Trust

The CID has the option of setting up a separate legal entity – a school “trust” or “foundation” – whose purpose is to specifically provide additional resources to the CID school. Under a board of trustees selected by the CID and with the advice of the Economic Policy Council, the School Trust could apply for grants, receive donations, and solicit contributions for the CID school. The School Trust, like the CID school, would develop and implement policies through its board of trustees for scholarships, faculty grants, technological and arts curriculum grants and possibly even for tuition for students eligible for admission, but not qualifying for state education funding.

The CID School Trust would be designed to attract unique donors. Likely donors would be members of the Economic Policy Council, participating businesses and CID property owners who see a direct benefit from their participation in the CID school and who might not otherwise be inclined to donate to “education”. Additionally, CID property owners and business operators would be prime candidates to contribute to the School Trust as they stand to gain the most economically from having the school in the CID.

If the CID School Trust were configured as an entity of the CID, then it is possible that additional funding could be secured from City, State or Federal resources as a direct participation through a City agency (the CID) in the economic development (through education as an economic development incentive) of the district consistent with existing policies and practices.

The School Trust would be structured so as to appeal to the widest possible array of donor/contributors by providing options for contributing. This might include unrestricted contributions, and restricted gifts for specific student targets, courses, programs, or outcomes (example: academic curriculum relating to careers in the construction transportation industry). The School Trust might capture all or a portion of student internship earnings for application to future college expenses, advanced training, or student field trips.

Trust funds could be managed internally or placed with a third party advisor such as the Kansas City Community Foundation for investment management, freeing up the trustees to concentrate on identifying resources in support of the School Trust mission.

Contracts with Participating School Districts

The CID school would recruit public school districts desiring to contract for specialized academic services for their students within the framework and general oversight of the public school district. Contracting for specialized academic services is well established in the traditional public school system. Current examples include the Hickman Mills C-1 School District contract with the Spofford Home, and the Kansas City, Missouri School District contract with the De LaSalle Education Center. Specialized, academic, services contracts typically run from one to three years.

The immediate benefit to the public school district is the ability to secure specialized academic services for its students beyond what public school districts are typically able to provide in terms of financial resources and staffing. The contract mechanism provides a method for innovative education within the framework of the traditional public school district. It should be emphasized that a “contract school” is neither a charter school, nor does it involve vouchers and tax credit scholarships. The CID school would relate to the public school district in a voluntary, professional, and collaborative manner – a true partnership between a public entity (the CID and the Economic Policy Council) and traditional public education. For additional information please refer to the sample contract for academic services in Appendix B.

Through the mechanism of contracting, the public school district retains oversight authority with the option to renew at the end of the contract term. Certain standards required of public school districts would apply to the CID school as well, including standards for facilities infrastructure, testing, attendance records, and faculty salaries. Beyond the mandated standards, the CID school would operate as an independent site-based management entity according to its CID School Board approved business plan.

Once a public school contract was mutually approved, the CID school would accept student applications from the participating public school district. In consideration for performing the approved specialized academic services the public school district would remit the per student state education funding (estimated to be \$8,000 to \$10,000 per student per year) to the CID school. These funds, together with monies from other sources (CID, Economic Policy Council, CID School Trust, grants, donations, etc.), would fund school operations.

School Site Concept

Size and Configuration

It is recommended that the CID school adopt the Gates' criteria and not exceed 400 students if operating as a high school. Initially the CID school would likely be established as a high school, with an incremental plan to add lower grades over time. It should be noted that the grade school model envisioned for the CID school would not exceed 250 students and is recommended to be housed on a separate campus.

There is a growing body of evidence supporting smaller schools as an alternative to the consolidated public school model that sometimes includes several thousand students. The objective is to provide a smaller, more intimate academic environment where students and faculty know each other. Personal relationships provide a supportive climate to instill and reinforce good academic standards and behavior. Please refer to the remarks made by Tom Vander Ark regarding small schools on May 22, 2001, before the House Appropriations Committee in Appendix B.

Location and Facilities

Initially, the CID school would likely be located within an existing building, perhaps in a portion of the Bannister Mall complex. The facility might be owned by a CID property owner or the CID itself (or an entity of the CID) and leased back to the CID school. The CID school also has the option to own its own facilities.

The CID master plan will include a strategic, long-range location for the CID school consistent with its twin goals of serving as a catalyst for residential and commercial revitalization. With transportation as its theme, the CID High School might be located in the Mall complex overlooking I-435. The elementary school would likely be situated overlooking the Kansas City Southern Railroad in proximity to Schumacher Park. Both schools would be located on or near the Sante Fe, Oregon and California National Historic Trails (3-Trails Corridor), further emphasizing the historical legacy of the CID school transportation theme.

Curriculum and Faculty

The CID School Board, with the advice of the Economic Policy Council, would determine the CID curriculum standards. Under the concept presented, the curriculum determined by the School Board would meet contemporary curriculum standards. The curriculum would be designed by the CID School Board expressly to support applied learning through internships under the overall transportation theme, and more specifically the SmartPort Initiative. Internships would extend to the entire student body with younger students mentoring with participating members of the Economic Policy Council as an integral part of an expanded curriculum.

The curriculum would likely address the needs of the "whole student" by including courses in history, arts, ethics, etc., to ensure students are well rounded and able to function in the social aspects of the workforce. Transportation would be used as a platform for studies, where appropriate. The curriculum might include career-driven summer camps like the ones previously

discussed. Curriculum relationships could be established with participating colleges and universities, permitting CID school students to take specialized and/or advanced classes at the CID school or off-site.

Faculty would be selected with the goal of attracting educators with the highest levels of expertise and specialization in their subject area, with the goal of providing the highest quality instruction possible. Faculty could be recruited from participating public school districts or hired nationally or internationally. Faculty would be selected based upon their ability to best accomplish the CID school's mission and always with an emphasis upon academic excellence.

BENEFITS

The benefits for all partners are significant and measurable. The following detail some of the benefits as they relate to the major stakeholders, including:

The potential student population
3-Trails Village Community Improvement District
Local public school districts
The City of Kansas City, Missouri
The business community
The community-at-large

Student Populations

Potential students are those most likely to reap the greatest benefits from the CID school. They will receive a superior education designed to directly apply classroom experiences to “real-world” experiences in areas of study that are relevant to the current economy. This superior education and the skills that accompany it will result in higher wages, greater opportunity and an enhanced quality of life in the global economy of the 21st century.

3-Trails Village Community Improvement District

A successful CID school would permit implementation of the CID master plan by encouraging new infill housing, attracting businesses to the district, changing the perception of the area in a positive manner, increasing economic activity and raising the property values and tax base for the district, the local school district, the City and the State.

Public School Districts

Participating public school districts would realize the benefit of specialized academic services for their students in improving their marketability through offering a more comprehensive curriculum without having to restructure or incur additional expenses. The originating public school district could count test scores of its students in the CID school.

In the case of Hickman Mills, the CID school would serve as a magnet to attract additional students into the Hickman Mills district. The CID school would enable implementation of the CID master plan, thereby increasing tax revenues for the Hickman Mills school district. This potential source of revenue could be very significant as can be seen from Chart 10, below, demonstrating additional tax revenues to Hickman Mills from the construction of new infill housing in the CID. The chart does not include the monies from additional personal property tax revenues, new businesses in the CID or the uplifting economic ripple effect upon the surrounding community if the economic base of the CID is elevated.

A convincing argument can be made that the probable revenue windfall to Hickman Mills from successful implementation of the CID master plan through a school of excellence would more than offset State funding allocated to specialized academic services at the CID school (as shown in chart 10). Increased enrollment in the Hickman Mills district as a result of the CID school would likely be absorbed by CID school facilities, reducing future costs for additional facilities for Hickman Mills. Also important to note is that the CID school concept does not involve tax incentives like TIF and abatement, which divert funds from the Hickman Mills school district.

CHART 10. Anticipated Real Estate Property Tax Revenue Increases

Estimated Number of Houses	Estimated value of houses	Tax revenues	School District Portion of Revenues*
1750	\$100,000	\$1,053	\$1,843,000
1750	\$150,000	\$1,579	\$2,763,000
1750	\$200,000	\$2,105	\$3,684,000

*Based upon 19% of fair market value assessment at 2005 Hickman Mills levy of \$5.54 per \$100 assessed value.

Kansas City, Missouri

The CID is an independent development entity of the City, designed to provide economic incentives to development and revitalization of the district through its master plan. Through the CID, the City of Kansas City, Missouri has a means to participate directly and innovatively in providing a new incentive in the form of a public education model designed to stimulate economic activity. With the growing population of CIDs, there is the additional opportunity for the City, as a matter of economic policy, to replicate the CID school by mobilizing other CIDs to adopt and implement the CID school model, further enhancing the City’s economic revitalization and competitive viability.

Through the CID and the CID Economic Policy Council, the City has the opportunity to plan, coordinate and implement its fiscal and economic policies at the local district level with full accountability and standards of performance. This provides the City with a means of direct participation in ethical development. Finally, the CID school incentive model does not involve the use of conventional tax incentives. This means that the City will reap its full revenue share from any increased economic activity stimulated by the CID school.

Business Community

The business community, particularly those businesses within or near the CID area, will benefit from an immediate source of well-trained interns and graduates for their respective workforces. In addition, as part of the CID master plan “live close to work” concept, the CID school creates an attractive and quality location for quality employees to live near their job.

Participating businesses would also receive the benefit of having a replicable public school of excellence model that could be started in other locations. This benefit furthers business self interest by providing a powerful tool for business to expand markets for goods and services.

Community-At-Large

The surrounding community is already well invested in the long-term success of the 3-Trails Village Community Improvement District. The CID school, serving as a catalyst for that success, will accelerate the rewards the community hopes to achieve, in terms of property value stabilization and enhancement and job opportunities. In addition, the school provides yet another educational alternative to a community already limited in its options by virtue of its location and/or its limited resources. Finally, the CID school concept does not involve eminent domain or diversions of tax revenues away from governmental agencies, possibly resulting in a reduction of public services.

APPENDIX A:

- 1. 3-Trails Village Community Improvement District Profile**
- 2. Legal Opinion – CID May Fund Public Education as Part of Economic Development and Revitalization**

3-TRAILS VILLAGE COMMUNITY IMPROVEMENT DISTRICT

Name: The CID takes its name from the Santa Fe, Oregon, and California National Historic Trails, which cross over the District on a common alignment.

Organization: The 3-Trails Village Community Improvement District is a political subdivision of the State of Missouri, authorized by the City of Kansas City, Missouri per Ordinance 020753, as adopted June 27, 2002. The District was renewed for an additional 10 years on June 23, 2005 by Ordinance 050769.

Boundary: The CID contains approximately 330 acres. Its boundaries are: Bannister Road on the south; 87th Street on the north; I-435 on the west; the Kansas City Southern Railroad on the east. Currently there are thirty property owners in the District including the City of Kansas City, Missouri (Schumacher Park and Fire Station 4l).

Funding: The CID is currently funded by a special assessment on real property in the District in the amount of \$0.62 per \$100 of assessed valuation and an extra sales tax of one half cent on retail sales within the District. Additional funding comes from federal, state, city and private grant funds and donations.

Governance: A seven-person Board of Directors elected by the property owners governs the CID. The Board meets on the 3rd Monday of each month at 1:00 pm in the District's administrative offices at 5912 East Bannister Road, Kansas City, Missouri 64134. All CID meetings are open to the public in accordance with the Missouri Sunshine laws. CID information is available at: www.3trails.cid.org. A District Manager and Treasurer are responsible for District operational and financial activities. The District also engages the services of outside professionals to advise the Board on CID projects and initiatives.

Purpose: Under Missouri statutes (Sections 67.1401 to 67.1571), the purpose of the 3-Trails Village Community Improvement District is to promote economic development and revitalization. In this capacity, the CID functions as an independent economic development agency of the City of Kansas City, Missouri for a defined area – the CID district. Examples of current CID programs and initiatives include: image/marketing (history and trails, CID master plan), transportation (roads, trails, public transit, intermodal infrastructure), investment (capital improvements, economic incentives, grants) and maintenance (streetscape, mowing and watering, security). By state statute and city ordinance all CID activities, projects, and initiatives must be directed toward the furtherance of economic development and revitalization of the District.

Legal Memorandum, Re: CID May Participate in Public Education

APPENDIX B:

- 1. Support Letter #1**
- 2. Support Letter #2**
- 3. Support Letter #3**
- 4. Minnesota Office of Sustainable Development**
- 5. Bill Gates Speech, National Education Summit on High Schools, February 26, 2005**
- 6. Small Schools – Remarks by Tom Vander Ark, House Appropriations Committee, May 22, 2001**
- 7. MET School, Providence, Rhode Island**
- 8. Sample Contract for Specialized Academic Services**

Support Letter #1

Support Letter #2

Support Letter #3

Minnesota Office of Sustainable Development

Sample criteria for evaluating the sustainability of community ideas and projects

Flourishing communities are the foundation of a healthy society. City blocks, neighborhoods, towns, townships and cities are of a size where individual efforts at community improvement can effect visible change. In local communities all of our nation's complex issues — housing, jobs, business development, crime, public participation, personal and community values, and the natural environment — present themselves. But how does one choose which efforts will reap the richest and most long-lasting rewards?

The emerging concept or ethic of sustainability, or sustainable development, provides us direction. Sustainable development can be seen as "development that maintains or enhances economic opportunity and community well-being while protecting and restoring the natural environment upon which people and economies depend. Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs." (Minnesota Legislature, 1996.) The perspective of sustainability calls upon us to invest our time and energy in efforts that simultaneously strengthen the environmental, economic and social dimensions of any issue.

Here are criteria adapted from a draft paper written by the civic group [Sustainable Seattle](#) which suggest a range of interrelated issues that communities should consider in choosing more sustainable courses of action.

Community Development

How well does an idea contribute to a sense of community among neighbors and to key features that make a community strong — its residents, businesses, government and institutions.

- **Civic engagement:** Encourages the participation of all affected people in decision-making, and supports the civic values of trust and cooperation.
- **Use of local resources:** Respects and uses local people and their knowledge, and local energy and materials.
- **Accessibility:** Allows for transportation and information access within and outside the community while fostering alternatives to single occupancy car use.
- **Quality of life:** Improves individual opportunity for a sense of fulfillment in life, and brings beauty into physical designs.
- **Public safety:** Improves the community's sense of security.
- **Education:** Supports learning and skill development for people of all ages.
- **Community history:** Respects the values, traditions, and historical elements of the geographic area.
- **Community identity:** Helps citizens feel a sense of belonging to the community, and fosters commitment to the geographic locale.
- **Neighborliness:** Supports good human interactions and relationships among diverse people within the community.

Ecological Health

How well does the idea take ecological opportunities and limitations into account?

- **Carrying capacity:** Keeps levels of pollution, consumption and population size within the environment's ability to handle them.
 - **Ecosystems:** Maintains or enhances ecosystem functions (watershed quality, biodiversity and habitat - including wildlife corridors).
 - **Resource use:** Reduces reliance on toxic chemicals and non-renewable resources, and uses renewable resources at a rate than can be maintained over time.
 - **Land use:** Uses land prudently, assuring quality wild and productive lands and compact urban development featuring pedestrian- and transit-oriented mixed-use development (for people of all ages) with access to green space.
 - **Waste reduction, reuse, and recycling:** Reduces resource consumption, focuses on preventing waste and pollution, locally reuses and recycles materials, and responsibly manages waste.
 - **Energy:** Promotes use-reduction, renewable energy, and greater efficiency in the use of energy resources.
 - **Clean water:** Reduces water use, water pollution, wastewater and stormwater generation.
 - **Clean air:** Prevents and reduces air pollution.
 - **Healthy buildings:** Promotes healthier indoor environments through improved air quality, lighting and space use.
 - **Peace and quiet:** Reduces noise and light pollution.
-

Economic Health

How well does the idea take the economic well-being of the community into account?

- **Meaningful work:** Provides for rewarding volunteer work and paid work opportunities at living-wage jobs.
 - **Business variety:** Promotes diversification of the local economy in terms of business type and size.
 - **Economic vitality:** Improves opportunities for new and existing businesses, emphasizing smaller, locally-owned businesses and value-added industries for local products.
 - **Economic self-reliance:** Links area businesses, products and services, and resources and customers to increase the recycling of money, barter labor and other resources within the community.
 - **Economic feasibility:** Is sound from a financial and human resources perspective and includes incentives for public acceptance.
 - **Pricing:** Strives to price goods and services to reflect the full social and environmental costs of their provision.
-

Social Equity

Does the idea promote greater equity within the community and with people outside the community, as well as between present and future generations?

- **Who gets the benefits:** Distributes the various benefits of the idea fairly within the community.

- **Who pays the costs:** Does not place an unfair burden on any group within the community.
 - **Fairness to other communities:** Does not unfairly impact people in other parts of the city or region, or in other parts of the world.
 - **Fairness to future generations:** Considers the well-being of those community members who will inherit the impacts.
 - **Affordability and access:** Promotes fair and affordable access to housing, services, and opportunities within the community.
-

Connections, Trade-offs and the Long Term

How well does the idea consider the connections among issues, make balanced trade-offs where necessary, and seek to understand its impacts into the future.

- **The seven generations test:** Considers impacts on the community 175 years from now.
- **The big picture:** Takes into account the links among social, economic and environmental issues.
- **Public-private partnerships:** Elicits support from businesses, local government, and citizen organizations.
- **Trade-offs in the community:** Seeks to meet social, economic, and environmental goals simultaneously. When it can't, it makes reasoned and balanced trade-offs, informed by the community's core values.
- **Trade-offs outside the community:** Includes a mechanism for reaching as cooperative a solution as possible where there is conflict with the goals of other communities or organizations.
- **Improvement over time:** Includes adequate feedback mechanisms that will tell citizens whether goals are being met; allows for future course corrections.

Bill Gates Speech, National Education Summit on High Schools

February 26, 2005

Prepared remarks by Bill Gates, Co-chair

Thank you for that kind introduction.

I also want to thank you, Governor Warner, and your fellow governors, for your leadership in hosting this education summit on America's high schools. It is rare to bring together people with such broad responsibilities and focus their attention on one single issue. But if there is one single issue worth your focused attention – it is the state of America's high schools.

Many of us here have stories about how we came to embrace high schools as an urgent cause. Let me tell you ours.

Everything Melinda and I do through our foundation is designed to advance equity. Around the world, we believe we can do the most by investing in health – especially in the poorest countries.

Here in America, we believe we can do the most to promote equity through education.

A few years ago, when Melinda and I really began to explore opportunities in philanthropy, we heard very compelling stories and statistics about how financial barriers kept minority students from taking their talents to college and making the most of their lives.

That led to one of the largest projects of our foundation. We created the Gates Millennium Scholars program to ensure that talent and energy meet with opportunity for thousands of promising minority students who want to go to college.

Many of our Scholars come from tough backgrounds, and they could bring you to tears with their hopeful plans for the future. They reinforced our belief that higher education is the best possible path for promoting equality and improving lives here in America.

Yet – the more we looked at the data, the more we came to see that there is more than one barrier to college. There's the barrier of being able to pay for college; and there's the barrier of being prepared for it.

When we looked at the millions of students that our high schools are not preparing for higher education – and we looked at the damaging impact that has on their lives – we came to the painful conclusion:

America's high schools are obsolete.

By obsolete, I don't just mean that our high schools are broken, flawed, and under-funded – though a case could be made for every one of those points.

By obsolete, I mean that our high schools – even when they're working exactly as designed – cannot teach our kids what they need to know today.

Training the workforce of tomorrow with the high schools of today is like trying to teach kids about today's computers on a 50-year-old mainframe. It's the wrong tool for the times.

Our high schools were designed fifty years ago to meet the needs of another age. Until we design them to meet the needs of the 21st century, we will keep limiting – even ruining – the lives of millions of Americans every year.

Today, only one-third of our students graduate from high school ready for college, work, and citizenship.

The other two-thirds, most of them low-income and minority students, are tracked into courses that won't ever get them ready for college or prepare them for a family-wage job – no matter how well the students learn or the teachers teach.

This isn't an accident or a flaw in the system; it is the system.

In district after district, wealthy white kids are taught Algebra II while low-income minority kids are taught to balance a checkbook!

The first group goes on to college and careers; the second group will struggle to make a living wage.

Let's be clear. Thanks to dedicated teachers and principals around the country, the best-educated kids in the United States are the best-educated kids in the world. We should be proud of that. But only a fraction of our kids are getting the best education.

Once we realize that we are keeping low-income and minority kids out of rigorous courses, there can be only two arguments for keeping it that way – either we think they can't learn, or we think they're not worth teaching. The first argument is factually wrong; the second is morally wrong.

Everyone who understands the importance of education; everyone who believes in equal opportunity; everyone who has been elected to uphold the obligations of public office should be ashamed that we are breaking our promise of a free education for millions of students.

For the sake of our young people and everyone who will depend on them – we must stop rationing education in America.

I'm not here to pose as an education expert. I head a corporation and a foundation. One I get paid for – the other one costs me. But both jobs give me a perspective on education in America, and both perspectives leave me appalled.

When I compare our high schools to what I see when I'm traveling abroad, I am terrified for our workforce of tomorrow. In math and science, our 4th graders are among the top students in the world. By 8th grade, they're in the middle of the pack.

By 12th grade, U.S. students are scoring near the bottom of all industrialized nations.

We have one of the highest high school dropout rates in the industrialized world. Many who graduate do not go onto to college. And many who do go onto college are not well-prepared – and end up dropping out. That is one reason why the U.S. college dropout rate is also one of the highest in the industrialized world. The poor performance of our high schools in preparing students for college is a major reason why the United States has now dropped from the first to the fifth in the percentage of young adults with the college degree.

The percentage of the population with a college degree is important, but so are sheer numbers. In 2001, India graduated almost a million more students from college than the United States did. China graduates twice as many students with bachelor's degrees as the U.S., and they have six times as many graduates majoring in engineering.

In the international competition to have the biggest and best supply of knowledge workers, America is falling behind.

That is the heart of the economic argument for better high schools. It essentially says: "We'd better do something about these kids not getting an education, because it's hurting us." But there's also a moral argument for better high schools, and it says: "We'd better do something about these kids not getting an education, because it's hurting them."

Today, most jobs that allow you to support a family require some postsecondary education. This could mean a four-year college, a community college, or technical school. Unfortunately, only half of all students who enter high school ever enroll in a postsecondary institution.

That means that half of all students starting high school today are unlikely to get a job that allows them to support a family.

Students who graduate from high school, but never go on to college, will earn – on average – about twenty-five thousand dollars a year. For a family of five, that's close to the poverty line. But if you're Hispanic, you earn less. If you're black, you earn even less – about 14 percent less than a white high school graduate.

Those who drop out have it even worse. Only 40 percent have jobs. They are nearly four times more likely to be arrested than their friends who stayed in high school. They are far

more likely to have children in their teens. One in four turn to welfare or other kinds of government assistance.

Everyone agrees this is tragic. But these are our high schools that keep letting these kids fall through the cracks, and we act as if it can't be helped.

It can be helped. We designed these high schools; we can redesign them.

But first we have to understand that today's high schools are not the cause of the problem; they are the result. The key problem is political will. Elected officials have not yet done away with the idea underlying the old design. The idea behind the old design was that you could train an adequate workforce by sending only a third of your kids to college – and that the other kids either couldn't do college work or didn't need to. The idea behind the new design is that all students can do rigorous work, and – for their sake and ours – they have to.

Fortunately, there is mounting evidence that the new design works.

The Kansas City, Kansas public school district, where 79 percent of students are minorities and 74 percent live below the poverty line, was struggling with high dropout rates and low test scores when it adopted the school-reform model called First Things First in 1996. This included setting high academic standards for all students, reducing teacher-student ratios, and giving teachers and administrators the responsibility to improve student performance and the resources they needed to do it. The district's graduation rate has climbed more than 30 percentage points.

These are the kind of results you can get when you design high schools to prepare every student for college.

At the Met School in Providence, Rhode Island, 70 percent of the students are black or Hispanic. More than 60 percent live below the poverty line. Nearly 40 percent come from families where English is a second language. As part of its special mission, the Met enrolls only students who have dropped out in the past or were in danger of dropping out. Yet, even with this student body, the Met now has the lowest dropout rate and the highest college placement rate of any high school in the state.

These are the kind of results you can get when you design a high school to prepare every student for college.

Two years ago, I visited High Tech High in San Diego. It was conceived in 1998 by a group of San Diego business leaders who became alarmed by the city's shortage of talented high-tech workers. Thirty-five percent of High Tech High students are black or Hispanic. All of them study courses like computer animation and biotechnology in the school's state-of-the-art labs. High Tech High's scores on statewide academic tests were 15 percent higher than the rest of the district; their SAT scores are an average of 139 points higher.

These are the kind of results you can get when you design a high school to prepare every student for college.

These are not isolated examples. These are schools built on principles that can be applied anywhere – the new three R’s, the basic building blocks of better high schools:

- The first R is Rigor – making sure all students are given a challenging curriculum that prepares them for college or work;
- The second R is Relevance – making sure kids have courses and projects that clearly relate to their lives and their goals;
- The third R is Relationships – making sure kids have a number of adults who know them, look out for them, and push them to achieve.

The three R’s are almost always easier to promote in smaller high schools. The smaller size gives teachers and staff the chance to create an environment where students achieve at a higher level and rarely fall through the cracks. Students in smaller schools are more motivated, have higher attendance rates, feel safer, and graduate and attend college in higher numbers.

Yet every governor knows that the success of one school is not an answer to this crisis. You have to be able to make systems of schools work for all students. For this, we believe we need stable and effective governance. We need equitable school choice. We need performance-orientated employment agreements. And we need the capacity to intervene in low-performing schools.

Our foundation has invested nearly one billion dollars so far to help redesign the American high school. We are supporting more than fifteen hundred high schools – about half are totally new, and the other half are existing schools that have been redesigned. Four hundred fifty of these schools, both new and redesigned, are already open and operating. Chicago plans to open 100 new schools. New York City is opening 200. Exciting redesign work is under way in Oakland, Milwaukee, Cleveland, and Boston.

This kind of change is never easy. But I believe there are three steps that governors and CEOs can take that will help build momentum for change in our schools.

Number 1. Declare that all students can and should graduate from high school ready for college, work and citizenship. How would you respond to a ninth grader’s mother who said: “My son is bright. He wants to learn. How come they won’t let him take Algebra?” What would you say? I ask governors and business leaders here to become the top advocates in your states for the belief that every child should take courses that prepare him for college – because every child can succeed, and every child deserves the chance. The states that have committed to getting all students ready for college have made good progress – but every state must make the same commitment.

Number 2. Publish the data that measures our progress toward that goal. The focus on measuring success in the past few years has been important – it has helped us realize the extent of the problem. But we need to know more: What percentage of students are

dropping out? What percentage are graduating? What percentage are going on to college? And we need this data broken down by race and income. The idea of tracking low-income and minority kids into dead-end courses is so offensive to our sense of equal opportunity that the only way the practice can survive, is if we hide it. That's why we need to expose it. If we are forced to confront this injustice, I believe we will end it.

Number 3. Turn around failing schools and open new ones. If we believe all kids can learn – and the evidence proves they can – then when the students don't learn, the school must change. Every state needs a strong intervention strategy to improve struggling schools. This needs to include special teams of experts who are given the power and resources to turn things around.

If we can focus on these three steps – high standards for all; public data on our progress; turning around failing schools – we will go a long way toward ensuring that all students have a chance to make the most of their lives.

Our philanthropy is driven by the belief that every human being has equal worth. We are constantly asking ourselves where a dollar of funding and an hour of effort can make the biggest impact for equality. We look for strategic entry points – where the inequality is the greatest, has the worst consequences, and offers the best chance for improvement. We have decided that high schools are a crucial intervention point for equality because that's where children's paths diverge – some go on to lives of accomplishment and privilege; others to lives of frustration, joblessness, and jail.

When I visited High Tech High in San Diego a few years ago, one young student told me that High Tech High was the first school he'd ever gone to where being smart was cool. His neighborhood friends gave him a hard time about that, and he said he wasn't sure he was going to stay. But then he showed me the work he was doing on a special project involving a submarine. This kid was really bright. It was an incredible experience talking to him – because his life really did hang in the balance.

And without teachers who knew him, pushed him, and cared about him, he wouldn't have had a chance.

Think of the difference it will make in his life if he takes that talent to college. Now multiply that by millions. That's what's at stake here.

If we keep the system as it is, millions of children will never get a chance to fulfill their promise because of their zip code, their skin color, or the income of their parents.

That is offensive to our values, and it's an insult to who we are.

Every kid can graduate ready for college. Every kid should have the chance.

Let's redesign our schools to make it happen.

Thank you very much.

Small Schools

Remarks by Tom Vander Ark, Executive Director, Education Testimony for the House Appropriations Committee May 22, 2001

Small Schools

The standards movement has created a sense of urgency and focus for educators across the United States. Standards have helped define what students need to know and be able to do, tests help measure progress, and accountability systems ensure continuous improvement. But no part of this movement has addressed the conditions that are most conducive for student learning – that is, what makes a good school – particularly at the high school level.

While much attention has been given to elementary and middle schools, high schools have been largely left behind in the education reform movement. Today's high school students go through school with little adult contact and often no guidance. Many schools lack high expectations or only challenge the top 10 percent, leaving most students wandering aimlessly in a general track. Those that graduate are not prepared for higher education or for the challenges of the new society. But a growing number of schools are bucking this trend and they all have one thing in common: they are small.

Fatal Flaws of Large Comprehensive High Schools

The size of the average American high school has doubled since most of us were in school. Otherwise, they operate much as they have for over 50 years. The rapid change in our society has rendered our schools, especially our large comprehensive high schools obsolete. They simply do not work for most students. Economically disadvantaged minority students attending urban high schools are as likely to drop out as they are to graduate. And many of those that graduate find themselves ill-prepared to get and keep a family wage job. As former governor Jim Hunt put it, "This is an area where we have made terrible mistakes in America... Too many schools are just too big."¹ Today over 60 percent of this country's high school students attend schools with more than 1000 students.²

Large comprehensive high schools have two fatal flaws – they are large and comprehensive. Large factory schools render teachers and students anonymous and anonymity is the enemy of community and learning. Students in large schools are less likely to connect with a teacher or with a content area in which they can deeply explore a subject. Comprehensive schools attempt to be everything to everyone. Students, with little adult contact, are expected to have the insight and perseverance to navigate a complex course catalog toward a desired future. Most take the path of least resistance, accumulating points and credits toward graduation with little sense of where they are headed or how anything they learn will apply to life after high school.

Another Way: Small Schools

Decades of research have shown that high schools with fewer than 400 students (no more than 100 per grade level) provide the most benefits to students. These benefits include higher student attendance, motivation, graduation rates, and college attendance; improved

school climate and safety; greater parent and community involvement; and higher staff satisfaction.³ The benefits of a more intimate environment are most significant for economically disadvantaged students. It's no accident that elite private schools limit their enrollment to 400 students. If we are serious about helping all students achieve, it is time that we provide the benefits enjoyed by private schools' students to our neediest young people.

Small schools can operate effectively on the same per pupil allocation as large schools (and with a much lower cost per graduate), but the funding must be streamlined and flexible. Large schools can be broken up into small schools with little or no capital investment. It does, however, take shared motivation, outside expertise, community engagement, and time and resources to make the difficult conversion. The Department of Education, the Carnegie Corporation, Open Society Institute, and the Bill & Melinda Gates Foundation have been the leading outside funders of this important work.

Small size is necessary but not sufficient to create a great school. Schools that help all students achieve exhibit a common set of characteristics:

- Staff and students are focused on a few important goals.
- Staff has high expectations for all students and a shared vision of good teaching.
- Staff has time to collaborate to improve instruction and meet shared challenges.
- Instruction and promotion are based on demonstrated learning.
- Every student has an advocate at school.
- The school environment promotes respect and responsibility.
- Technology is used as an effective teaching and learning tool.

There are hundreds of great small schools around the country that embody these attributes. Some communities and school districts have even adopted small schools policies (Oakland, CA) or have actively encouraged the creation of small schools (New York City, Chicago). Most charter schools are small and many share these attributes.

Schools that Work

The Julia Richman High School in mid-town Manhattan used to have a graduation rate of 25 percent. Built in 1923 as an all-girl's commercial high school and named for one of the pioneers in American public education, the school was closed about 10 years ago and redesigned to better meet the needs of all students. The school, now named the Julia Richman Education Complex, houses four small, focused high schools, one K-8 school, a school for autistic children, and a day care center. Graduation rates hover around 90 percent with an equal number of students continuing in higher education. The center works because each school is autonomous, focused and able to give students individual attention. And by sharing one large facility, the small schools have access to all of the amenities of a big school: two gyms, performing arts facilities, a pool, a big library, etc.

In rural Minnesota a different small school model has attracted national attention. The Minnesota New Country School, serving students grades 7-12, was created seven years ago by a group of educators and parents. This education-community coalition believed a personalized, technology-infused, project-based secondary school model could create a

stronger teaching and learning environment where every student excels. Every student has his or her own workstation and a teacher advisor who provides guidance and direction to that student over the course of the student's time at the school. No student is anonymous. It is one of only seven schools in southern Minnesota whose entire senior class passed the state's basic skills requirement before graduating.

Mountlake Terrace High School, a suburban school north of Seattle with almost 1,900 students, began conversations about redesign with help from a Department of Education Smaller Learning Communities grant. With two different start times, three lunch periods and such a large student population that few staff know all their students' names, students often get lost and feel no connection to the school. Even staff complain that they don't even know each other. The school is now preparing to break itself into academies (possibly including an academy of performing arts; fine arts and humanities; and math, science and technology), and within each academy students will be grouped in cohorts of about 300 students. The school is on the path to becoming a multiplex, with high expectations and improved personalized learning opportunities for all students.

Small schools are not all cut of the same cloth. We find good small schools in New York sharing a larger structure, in rural areas standing alone, in suburbia beginning the conversion process, and others are focused on serving special populations, each with a unique pedagogical, thematic, or occupational focus. But we still find too few, especially for the most disadvantaged students in society.

High Schools: Focus of the Bill & Melinda Gates Foundation

The Bill & Melinda Gates Foundation has decided to focus its education work at the high school level because high schools are the largest, least effective and most intransigent schools in our system. With a two-pronged approach of creating new small high schools and breaking up big ineffective schools, the Bill & Melinda Gates Foundation hopes to build on the momentum of the growing "small schools movement."

This movement has spawned hundreds of exceptional small schools around the country in the last five years. Small schools work better for most students, especially economically disadvantaged students and students of color. While still largely unnoticed by practitioners and school boards, the evidence of these schools' success is overwhelming and growing every month.

The Bill & Melinda Gates Foundation has committed more than \$250 million to help schools around the country redesign using the principles described above. The goal is nothing less than the transformation of our secondary schools. Grants are given in the following areas:

- Washington State School Grants: About 100 grants will be made to Washington state schools. At a select number of the high schools engaged in serious reform, students will be eligible for full college scholarships.

- District Grants: Grants to promote redesign efforts throughout school districts and to promote supportive district infrastructure have been made to 10 districts and a Catholic diocese in Washington state, two districts in Rhode Island and six districts in Alaska.
- Networks of Schools: Grants were made to eight promising organizations for the development of networks of high achieving, small schools.
Urban High School Grants: Grants were made in Cincinnati, St. Paul, Oakland, New York, and Denver to promote new small schools and the transformation of large comprehensive schools into small effective schools.

Schools in each of these programs typically spend the first year planning (grants are typically five-year grants) including site visits, research reviews, and public outreach. Teachers work together to adopt or develop a coherent and effective design. Guided by trained consultants, the staff develops a comprehensive, multi-year plan. Subsequent grant years are spent implementing this plan. The foundation uses national and local firms to conduct a thorough evaluation including various measures of student achievement, perception surveys, self-reporting, and direct observation.

Looking Forward

America's high schools have gone neglected for far too long. There is no panacea for improving them, but there is a conclusive body of research that provides good direction. Size matters. We are losing too many students, students who start high school as freshmen and dropout, or skate by gaining few skills and little knowledge. Creating smaller, more personalized learning environments where every student is held to high expectations works. Students stay in school, are more motivated and achieve at higher levels.

Changing an American tradition is not easy. The Bill & Melinda Gates Foundation, along with a number of other private philanthropies, has dedicated considerable resources to this challenge, but it will take collaboration across many sectors to affect real change. Private dollars are not the solution but can help both to leverage public investments and to be an impetus for change. There is growing consensus that our public high schools are not working; it is time for us to recognize this injustice and support true redesign efforts.

First in America: An Education Governor Challenges North Carolina, James B. Hunt, Jr., 2001.

²US Department of Education (1998).

³Findings from the following recent studies are referenced.

Small Schools, Great Strides, Bank Street College of Education(6/00): A comprehensive study of Chicago's small schools, found that students in these small schools had higher grade point averages, significantly lower dropout rates, and better attendance rates than their peers in larger urban schools.

Results of Four-State Study: Smaller Schools Reduce Harmful Impact of Poverty on Student Achievement, Rural Schools and Community Trust (2/00): Researchers found small schools can combat the negative effects of poverty on student achievement and help narrow the achievement gap that separates poor students from their affluent peers.

Affective and social benefits of small-scale schooling, Cotton, K. (1996, December). ERIC Digest, Clearinghouse on Rural Education and Small Schools. EDO-RC-96-5. Available: This digest outlines characteristics of the body of research on school size, including research on: feelings and attitudes, social behavior, "why smaller is better", school size and educational equity, and school-within-a-school plans.

Effects on Budgets and Performance in New York City, the American Education Research Association (spring 2000): Study finds that small academic and large high schools are similar in terms of budgets per graduate. Because the literature on school size indicates that small high schools are more effective for minority and poor students, the similarity in cost for small and large high schools suggests that policymakers might do well to support the creation of more small high schools.

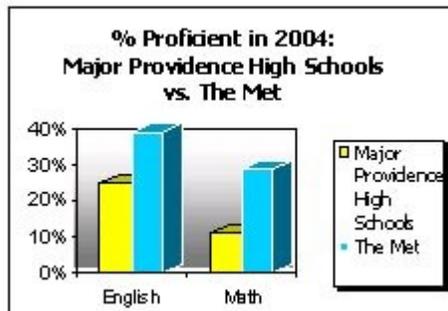
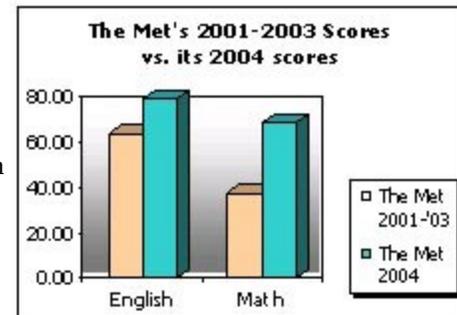
MET School, Providence, Rhode Island

State Report Card

Data taken from Rhode Island's state report card, *Information Works!* 2005

State Testing Data, 2004

- The Met's math scores jumped from a three-year average of 38 to 68, a 79% increase. The Met's English/Language Arts scores rose from a three-year average of 64 to 79, a 23% increase.
- The Met exceeded the No Child Left Behind goals set for Rhode Island in 2007.
- The Met is an "improving" school and scored just shy of being named a "high performing" school (3 points in English/Language Arts and 6 points in Math).
- On average, The Met had 18% more students proficient in math and 14% more students proficient in English/Language Arts than the three largest Providence high schools.



Graduation Rate

94.6% Graduation Rate (one of the highest in the state)

The state average is 81.3% and the Providence average is 54% for the city's three largest high schools.

Attendance Rate

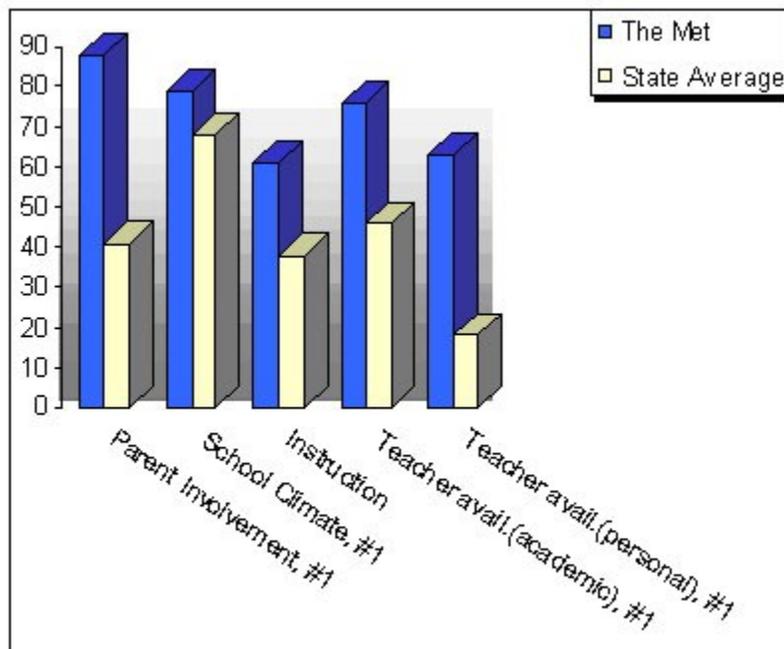
92.1% Attendance Rate

The state average is 89.8% and the Providence average is 80% for the city's three largest high schools.

State SALT Surveys 2005

Rhode Island's School Accountability for Learning and Teaching (SALT) Surveys

For the past five years, The Met has consistently ranked among the state's top high schools for attendance, graduation rates, parent involvement, school climate, and quality of instruction.



#1 in the state Parent Involvement

(NOTE: Highest possible score = 100; all information from Infoworks!2005)

•The Met: **84** State Average: **42**

Measures how involved parents feel in the school and how comfortable they are with teachers and school environment

#1 in the state School Climate

•The Met: **85** State Average: **68**

Measures school safety, respect between teachers and students, student behavior in class

#1 in the state Instruction

•The Met: **63** State Average: **40**

Measures teachers’ skills and support from school

#1 in the state Teacher Availability (academic)

•The Met: **76%** High School State Average: **46%**

% of students who feel they can talk to a teacher about academic issues

#1 in the state Teacher Availability (personal)

•The Met: **63%** High School State Average: **18%**

% of students who feel they can talk to a teacher about personal or family problems

#2 in the state Drugs

•The Met: **15%** High School State Average: **30%**

Second lowest percentage of students reporting that someone tried to sell them drugs in school (only second to the RI School for the Deaf)

College Data

“No comprehensive high school in Providence or the state, nor even

Gina Rodriguez

The Met ‘03, Brown University ‘08
 For her Senior Thesis Project at The Met, Gina traveled to Cuba and made a document-ary on political organizing. Now she is a freshman at Brown, studying developing countries with a focus on Latin America.

“What really motivates students is being interested in what they are learning. At The Met, everybody is so engaged in their work that they will stay late to finish a project or go home and continue working or even come in on weekends. Everything becomes your own. You really push yourself and set high standards for success.”

Providence’s exam-entry “college prep” high school, can boast this [The Met’s] universal college acceptance at a comparable array of colleges for all enrolled students.” Letter from RIDE to the RI legislature, June 2004

The following data tracks all Met graduates of the past five years:

- »» **98% College Acceptance, 80% College Enrollment** (in college or post-secondary education)
- »» **75% are the first in their families to go to college**
- »» For four of the past five years, at least one Met graduate has won the prestigious and highly competitive **Gates' Millennium Scholarship** (full tuition for six years of higher education). In spring of 2005, two Met seniors were named Gates' scholars.

(NOTE: According to the national average, 50% of all college students drop out, while only 6% of students from the lowest socioeconomic quartile graduate with a 4 year degree.)

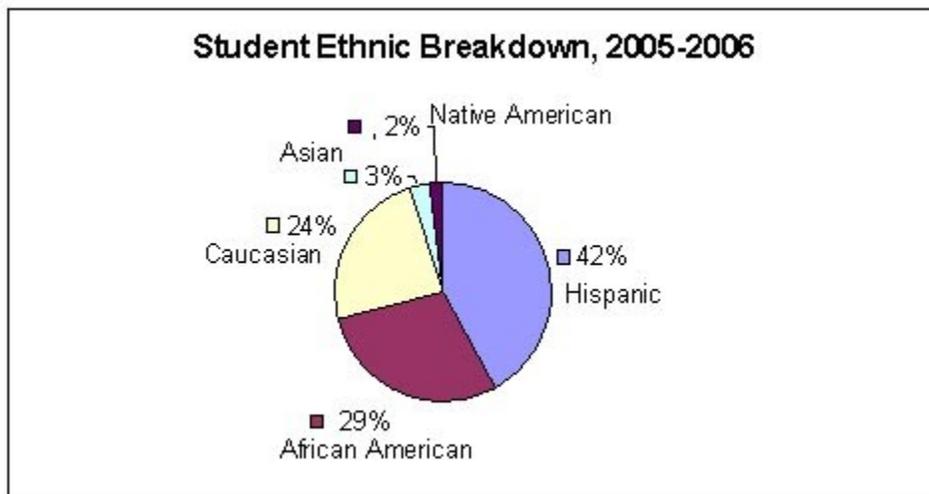
College Acceptances include...
 Antioch College - Beloit College - Benedict College - Bennet College - Bennington College - Brown University - Community College of RI - Concordia College - Dean College - Emerson College - Hampshire College - Howard University - College of the Holy Cross - Johnson & Wales University - Mount Holyoke College - New England Institute of Technology - New York University - Northeastern University - Oberlin College - Parsons School of Design - Providence College - Reed College - Rhode Island College - Rhode Island School of Design - Roger Williams University - Salve Regena University - Tufts University - University of Chicago - University of Rhode Island

“Most Met graduates have college acceptances, many at competitive private colleges, state higher education institutions, nationally recognized art and design schools as well as Ivy League schools.”
 Letter from RI Department of Education to the state legislature, June 2004

The Student Body

The Met has 700 students from Providence (75%) and the rest of Rhode Island (25%).

On average, **68% of Met students qualify for the free/reduced federal lunch program.**



Eric Oli

Sample Contract for Specialized Academic Services

DRAFT FOR CONSIDERATION

PARTNERSHIP AGREEMENT BETWEEN THE
BOARD OF EDUCATION OF THE _____
SCHOOL DISTRICT AND
THE _____ INCORPORATION

THIS AGREEMENT (the "Agreement") is made and entered into as of the ____ day of _____, 2005 by and between the _____ a Missouri corporation ("_____"), and the Board of Directors ("Board") of the _____ School District ("District"), a school district organized and existing under the laws of the state of Missouri ("State"). _____ and the District agree to the terms and provisions set forth below and in the accompanying appendices, attached hereto and incorporated herein.

Article 1 Term and Renewal.

1.1 Term. The term of this Agreement ("Term") shall commence on August 26, 2005 and end on July 31, 2006, unless terminated earlier or extended in accordance with the terms and conditions set forth herein.

1.2 Renewal. This Agreement may be renewed annually, unless terminated in accordance with the terms and conditions set forth herein. Each party shall give the other party written notice of its intent to renew or terminate the Agreement no later than March 30 of the year in which the Agreement is scheduled to expire.

Article 2 Services provided by _____; Location of Program.

2.1 Services provided by _____. _____ will be responsible for organizing, administering, managing and overseeing the implementation and day-to-day operations of a k-12 school education program ("Program").

2.2 Location. _____ shall provide the services contemplated by this Agreement at _____ 10500 Grandview Road Grandview Missouri for the 2005 to 2006 school year or a location or locations mutually agreeable, in writing, between _____ and the District.

2.3 Curriculum Materials and Other Property. _____ shall be responsible for the acquisition of curriculum materials to be used at the Program. Curriculum materials and other property provided by _____ for use at the Program shall be the property of _____.

Article 3 Admission/Student Placement; Enrollment Procedures; Eligible Students.

3.1 Admission. All student admissions for the Program will be done by the District, this will include any exceptional education students who have Individualized Education Plans ("IEPs") that allow for such placement.

3.2 Enrollment Procedures. The District and _____ shall mutually agree in writing on the enrollment procedures for the Program on or before the end of the first semester of the District's 2005 to 2006 school year.

3.3 Eligible Students. The only students that will be admitted to the Program will be students qualifying to attend the Program pursuant to the District's policies. The District's policies on students qualifying for education placements may be modified from time to time by the District and shall be binding upon _____ with proper notice pursuant to this Agreement.

Article 4 School Calendar and Day; Curriculum Requirements; Assessment.

4

4.1 School Calendar. The typical school year for the Program will consist of approximately one hundred and seventy-four (174) instructional days. The Program will also run a summer school.

4.2 School Day. The typical school day for the Program shall be 7:45 a.m. to 2:30 p.m. Monday, Tuesday, Wednesday, Thursday, and 7:45 a.m. to 12:05 p.m. Friday.

4.3 State and District Curriculum Requirements. _____ shall implement its educational program in a manner that is consistent with State law, including requirements regarding content and subjects of instruction, unless State authorities have waived any such requirement. The District agrees and understands that _____ will be responsible for developing and implementing the Program's curriculum. _____ hereby agrees and promises that _____'s curriculum standards will meet or exceed the curriculum standards issued or promulgated by the District and the state of Missouri. The District has determined that the instructional program and curriculum content of the Program will satisfy District requirements for transferring credits back to the District and will meet District graduation requirements. The District shall therefore permit students to transfer from the Program to a District school at times that are not disruptive to the District or the education of the student as appropriate, and to promote and issue diplomas to the Program students who complete the Program's requirements for promotion and graduation, if needed.

4.4 Evaluation of Program. The District and _____ will set up meetings and other opportunities for evaluating whether and to what extent various articles of this Agreement are being implemented by each party. The purpose of the evaluation is to provide data allowing for refinement and improvement of the Program.

4.5 Assessment of Success. Comparing levels and trends of student attendance and student achievement before Program intervention, with levels of student attendance and student achievement after, and in some cases shall measure the success of the Program during, Program intervention. Additionally, measures of parent and student satisfaction with the Program will be evaluated.

4.6 Student Attendance. The Program will be evaluated for student attendance with the goal that each student enrolled has an average daily attendance of eighty-five percent (85%).

4.7 Student Achievement. The Program will be evaluated for continuous improvement of individual student achievement in Communications Arts, Mathematics, Social Studies, and Science, as assessed by standardized assessments.

4.8 Evaluation Conference. The District will hold a conference each semester to discuss the evaluation results. If the District's results show the Program is not being implemented to comply with the Agreement, the District in collaboration with _____ will agree to a performance improvement plan.

_____ will have a reasonable time to show implementation of the performance improvement plan and achievement of the goals of the plan.

If _____ does not show achievement of the goals, the District may terminate the Agreement in accordance with the applicable provisions of this Agreement, continue, or modify the performance improvement plan.

4.9 Reports. Information on the performance of the Program and its students shall be provided to the District's Superintendent in an annual year-end report. The report shall be submitted to the Superintendent's Office with a copy to the Legal Department. _____ shall make presentations to the Board regarding the performance of the Program and address any concerns upon request. _____ shall provide other information to the Board upon reasonable advance request by the Board to enable the District to monitor the students' educational performance and the efficiency of the operation of the Program during the school year.

Article 5 Special Educational Services.

5.1 Special Education. As needed by the Program, the District shall provide special education services to students who attend the Program in a manner that complies with the students' IEPs, federal, State and local laws and applicable regulations and with District policies and procedures. In accordance with Section 9.4 below, the District shall bear all costs and expenses associated with providing these services that the District's staff performs. In determining appropriate placements, the District is cognizant that the Program's students requiring special education services may be served in regular classrooms consistent with _____'s model of responsible inclusion. _____ will assist the District, at the District's request, in identifying students with special needs and developing student IEPs and determining appropriate placements, as necessary.

5.2 Other Special Student Services. The District and _____ shall work together to ensure compliance with the requirements of IDEA, Section 504 of the Rehabilitation Act, and the Americans with Disabilities Act. Such services shall be provided in a manner that complies with State and federal laws and applicable rules, regulations and policies, and District policies to the extent they are consistent with the Program's design.

Article 6 Counseling for Students, Removal of Students from _____'s Program and Suspensions.

6.1 Counseling for Students. _____ and the District recognize the importance of a safe educational environment. Students who, after prior review, have been admitted to the Program with a history of violence or whose behavior presents a danger to themselves or others shall be offered a personalized counseling program through _____'s counseling department. The counseling department shall document counseling referrals and treatment steps implemented for families and students. Counseling services may include, as appropriate, family, group and student counseling, inclusion of parents or guardians in behavior contracts, and/or counseling referrals to mental health professionals as part of an individualized plan to remediate student behavior.

6.2 Removal of Students from _____'s Program. _____ shall provide the District's Hearing Officer with timely notification of a recommendation for removal. _____ shall also keep on file a list of all remediation and parent involvement steps taken. The final decision regarding student removal will be determined by conducting a disciplinary conference.

6.3 Student Failure to Attend. _____ considers attendance to be part of appropriate student behavior. Student failure to attend could be considered grounds for removal under this Article. _____ has numerous preventive measures in place and will notify the District's Truancy and Dropout Department of students who have chronic attendance issues.

6.4 Suspensions. _____ shall use suspensions, instead of removing a student from the Program, for therapeutic purposes and parent involvement. Referrals will be kept on these actions as well.

6.5 Applicable to Special Education Students. This Article also applies to special education students, and involvement of the special education teacher shall be required.

Article 7 District's Responsibilities.

7.1 Transportation. (a) The District shall be responsible, unless otherwise provided for in this Agreement, for providing transportation services for the District's students at the Program. To that end, the District shall retain all revenue received from the State for transportation services. The District agrees that the transportation services provided to the District's students at the Program should be comparable to that provided to other District schools and their students. (b) Notwithstanding the above, _____ agrees to reimburse the District for the additional transportation costs incurred by the District in connection with providing transportation services to the Program during the number of days the Program's school year exceeds the school year of District schools and field trips during the school day, unless otherwise agreed to in writing.

7.2 Food. The District shall pay to _____ the State revenue associated with food services for the District's students in the Program. _____ will contact the District's Director of Food Service to identify the needed documentation for payment of these funds. _____ will submit the agreed upon documentation to the District's Director of Food Service.

Article 8 Services Contracted to the District – Additional Services.

In the event that additional services are required, _____ and the District agree to meet and negotiate in good faith the costs for such services. Any agreement to provide additional services must be mutually agreed to in writing by both parties.

Article 9 Annual Fees.

9.1 Per Pupil Fees. (a) The per pupil fee ("PPF") paid by the District to _____ for the school year will be _____. (b) _____ will be paid the PPF adjusted for average daily attendance ("ADA") which will be based on the actual student attendance at the Program. (c) _____ shall also receive summer school revenue. The PPF paid by the District to _____ for summer school will be eighty-three dollars (\$83). The PPF will apply for each day in which the school year exceeds the normal school year of 175 days, provided that _____ complies with the District's and State's guidelines for summer school programs and that the District is eligible to receive summer school revenue from the State for its students in the Program. The PPF for summer school will be adjusted for ADA. The PPF paid by the District will be negotiated in good faith in the event that the State reduces or increases the rate the District receives for summer school funding.

9.2 Eligible Students. The only students that _____ will be compensated for, pursuant to this Agreement, will consist of students qualifying to attend the Program pursuant to the District's policies. The District's policies on students qualifying to attend k-12 education programs may be

modified from time to time by the District and shall be binding upon _____ with proper notice pursuant to this Agreement.

9.3 Payments and Documentation for Payment. The District will provide payment to _____ within thirty (30) days of its receipt of an invoice. In addition, _____ shall submit adequate documentation for the amounts due and payable to the Legal Office with a copy to the Budget and Fiscal Planning Department and Accounts Payable Department. Adequate documentation will be listing the names of students in attendance, student numbers, the number of actual hours attended and the ADA percentage. Further, the District and _____ will meet monthly to discuss students referrals, the students assigned to the Program, the reasons for students not showing up for an interview with the Program or withdrawing from the program, and the initiatives _____ took to enroll the assigned students. Moreover, _____ must enter student attendance data and other data necessary for core data preparation directly into the District electronic student records system in order to be entitled to payment. To determine the needed data or if there are questions, _____ may contact the District's Research and Evaluation Department.

9.4 Special Education Fee. The District shall retain all revenue associated with providing special education services, and _____ shall not receive any additional revenue for special education students. In return and as needed, the District shall provide all eligible students at the Program with special education services, and shall, in accordance with Section 5.1, bear all costs and expenses associated with providing these services, if provided by District staff.

Article 10 Financial.

10.1 Expenditures. Except as otherwise provided in the Agreement, _____ shall pay the costs associated with operating the Program. Such costs shall not include, however, the costs of student transportation services for the District's students, which shall be provided by the District at its expense, except as otherwise qualified in this Agreement.

10.2 Quarterly Financial Reports. _____ shall provide quarterly reports on the Program's finances to the District. The reports, which shall include a statement of the total of all revenues received, from whatever source, with respect to the Program and detailed statements of all direct expenditures for services rendered to or on behalf of such schools and students who attend such schools, whether incurred on-site or off-site. Quarterly financial reports shall be prepared no later than fifteen (15) days following the close of the quarter and submitted to the Budget and Fiscal Planning Department with a copy to the Superintendent.

10.3 Private Fundraising and Grants. _____ shall have the right to organize and engage in fundraising activities and apply for grants and to retain any such funds. Both parties acknowledge that the PPF paid under this Agreement will not cover all the operating expenses of the _____ Program and as such, any monies received by _____ shall not reduce the PPF due under the Agreement.

Article 11 Personnel.

11.1 Personnel Responsibilities. _____ shall have the responsibility to determine staffing levels in the Program and to select, evaluate, assign, discipline and transfer personnel.

11.2 Training. _____ shall provide training in its methods, curriculum, and program to teaching personnel on a regular basis.

11.3 Background Checks. All employees of _____ that may in any way come into contact with students in the Program offered under this Agreement must undergo background checks consistent with those used by the District.

Article 12 Disciplinary Policies and Rules; Student Records.

12.1 Rules, Regulations, and Disciplinary Policies. _____ will develop and implement disciplinary policies and guidelines for the Program, based on the guidelines and policies set forth in Appendix A. The District and _____ shall mutually agree in writing on the disciplinary procedures for the Program on or before the end of the first semester of the District's 2002 to 2003 school year. If an agreement cannot be reached and notwithstanding _____'s implementation of its own disciplinary policy, _____ will abide by the rules, policies and procedures set forth in the District Code of Student Conduct, as revised from time to time, unless the State and/or the District waive such rules, policies, and procedures. _____ shall also comply with all other District policies and applicable federal and State laws concerning welfare, safety, and health of students, unless compliance with such policies and laws has been waived.

12.2 Student Records. Except to the extent expressly waived by the District or State authorities, the Program shall comply with all Board policies and regulations, and applicable federal and State laws, concerning the maintenance and disclosure of student records. The District hereby designates employees of _____ as having a legitimate educational interest such that they are entitled to access to education records under 20 U.S.C. 1232g, the Family Educational Rights, and Privacy Act. _____, its officers, and employees shall comply with the Family Educational Rights and Privacy Act at all times.

Article 13 Representations and Warranties.

13.1 District Representations and Warranties. (a) The District represents that it has the authority under State law, except as limited by federal court order, to execute, deliver and perform the Agreement, to incur the obligations provided for under the Agreement and to contract with _____ for _____ to provide the services set forth in the Agreement. (b) The District represents and warrants that the Agreement constitutes a legal, valid, and binding obligation of the District enforceable in accordance with its terms.

13.2 Representations and Warranties. (a) _____ represents and warrants that it is a corporation duly organized and existing under the laws of the state of Missouri, duly authorized and with lawful power and authority to enter into the Agreement, acting by and through its duly authorized officers. (b) _____ represents and warrants that the Agreement constitutes a legal, valid, and binding obligation of _____ enforceable in accordance with its terms.

Article 14 Indemnification.

14.1 Legal Representation and Costs; Cooperation. Except as expressly provided herein or in connection with insurance coverage required to be provided in the Agreement by one party for the benefit of the other, each party shall be responsible for its own legal representation and legal costs. Except where there is an actual or potential conflict of interest, the District and _____ shall fully cooperate with legal counsel for one another in connection with any legal claim asserted against either of them. Notwithstanding any other provision of the Agreement, neither party shall settle or compromise any claim made by a third person against the other party without the express written permission of that party.

14.2 Indemnification. (a) _____ shall indemnify and save and hold the District, the Board, the Superintendent, their employees, officers, directors, subcontractors and agents harmless against any and all claims, demands, suits, costs, judgments, or other forms of liability to third parties, actual or

claimed, including reasonable attorney's fees and expenses, for injury to property or persons, occurring or allegedly occurring in connection with the operation of the Program from any act or omission by _____ or by its employees working under the supervision of _____ during the term of the Agreement or any renewal thereof. Upon timely written notice from the District, _____ shall defend the District in any such action or proceeding brought thereon. (b) The District shall indemnify and save and hold _____, its partners, employees, officers, directors, subcontractors and agents harmless against any and all claims, demands, suits, costs, judgments or other forms of liability to third parties, actual or claimed, including reasonable attorneys' fees and expenses, for injury to property or persons, occurring or allegedly occurring in connection with the operation of the Program from any act or omission by the District or by its employees, officers, directors, subcontractors, or agents during the term of the Agreement or any renewal thereof, unless such act or omission is directed by _____. Upon timely written notice from _____, the District shall defend _____ in any such action or proceeding brought thereon. (c) Each party shall give written notice to the other party of the assertion of any claim or the commencement of any litigation for which indemnification is sought within ninety (90) days of notice of the claim or commencement of litigation, and shall cooperate with the indemnifying party in the defense of the claim or litigation.

14.3 No Waiver. The foregoing provisions shall not be deemed a relinquishment or waiver of any kind of applicable limitations of liability to third parties provided or available to any of the parties under applicable state governmental immunities law.

Article 15 Termination.

15.1 District Termination for Cause. The District may terminate the Agreement for cause prior to the end of the term or renewal specified in Article 1 of the Agreement, in accordance with the procedures set forth herein, for any of the reasons set forth in subparagraphs (a), (b), (c) or (d) below. (a) If, after one academic year, the Program has failed to make reasonable progress toward student academic achievement; provided that the Board has advised _____ in writing that its performance has been deficient and has allowed _____ a reasonable period in which to remedy such failures. (b) If _____ substantially breaches any of the material terms and conditions of the Agreement and fails to remedy such breach within ninety (90) days after receipt of written notice of such breach from the District. (c) If there occurs an enactment, repeal, promulgation or withdrawal of any federal, State, or local law, regulation, administrative decision, or court order (except for a preliminary injunction) that results in a final judgment or finding that the Agreement or the operation of the Program in conformity with the Agreement violates the District's responsibilities, duties or obligations under the State or federal constitutions, statutes, laws, rules or regulations. (d) The following procedures shall apply to any termination pursuant to this section 15.1. The Board shall give _____ written notice of its intent to terminate the Agreement at least ninety (90) days prior to the effective date of termination stated in the notice. The cause for termination shall immediately be submitted to the District's Superintendent and _____'s Executive Director, or their respective designees, for consideration and discussions to attempt to resolve the matter. If these representatives are unable to resolve the matter, the termination shall become effective in accordance with the District's termination notice. Notwithstanding the foregoing, any termination will not become effective until the end of a school year unless there are unusual and compelling circumstances that justify the disruption to the educational program and the students caused by a mid-year termination.

15.2 _____ Termination for Cause. _____ may terminate the Agreement for cause prior to the end of the term specified in Article 1 of the Agreement, in accordance with the procedures set forth below, for any of the reasons set forth in subparagraphs (a), (b) or (c) below. (a) If the District substantially breaches any of the material terms and conditions of the Agreement and fails to remedy such breach within ninety (90) days after receipt of written notice of such breach from _____. For this

purpose, a material breach may include, but is not limited to, failure to make payments as required by the Agreement unless the required payment is subject to reasonable dispute, or any other failure which undermines the joint purposes of the Agreement. (b) A material reduction in the District's funding for educating k-12 education students for the prior fiscal year. (c) The following procedures shall apply to any termination pursuant to this Section 15.2. _____ shall give the Board written notice of its intent to terminate the Agreement at least ninety (90) days prior to the effective date of the termination stated in the notice. The cause of termination shall immediately be submitted to the District's Superintendent and _____'s Executive Director, or their respective designees, for consideration and discussions to attempt to resolve the matter. If these representatives are unable to resolve the matter, then termination shall become effective in accordance with _____'s termination notice.

15.3 Assistance. In the event of a termination of the Agreement for any reason, _____ shall, at its own expense, provide reasonable assistance to the District for up to ninety (90) days after the effective date of termination of the Agreement to assist in the transition of the Program students back to the District's school programs. For each student whom _____ continues to serve during this period, the District shall continue to make all payments required under this Agreement until such student is transitioned back to the District's programs.

Article 16 Insurance.

16.1 Liability Insurance. (a) _____ shall secure and maintain, at its expense, for the protection of the District, _____, and their respective officers, directors, employees, students, teachers and volunteers, insurance, including but not limited to general liability insurance coverage for bodily injury and property damage, as set forth in the attached Appendix B. Such insurance policies shall be issued by an insurance company or companies selected by _____ and licensed to do business in the State. Except as otherwise agreed in writing by the District and _____, all such insurance coverage shall be primary insurance, with deductibles or self insured retention which are outside the policy limits, and shall be occurrence based insurance and not claims made insurance. (b) The District shall require that its contractors, if any, providing transportation to the Program shall name _____ as an additional insured under their respective commercial general liability and automobile liability insurance policies for personal injury and property damage; and if such services are provided indirectly by the District rather than by contracted service, then _____ shall be named as an additional insured under corresponding District insurance policies or under any District general or umbrella insurance policies. (c) The insurance policies maintained by each party pursuant to the Agreement shall be endorsed to state that coverage shall not be suspended, voided, cancelled, or reduced, in coverage or limits, except after thirty (30) days prior written notice to _____ and the District. The parties shall furnish one another certified copies of the insurance or certificates of insurance which name one another as additional insured and which demonstrate compliance with the Agreement.

16.2 Workers' Compensation Insurance. _____ shall secure and maintain workers' compensation insurance covering its employees at the Program and shall be responsible for the cost of workers' compensation insurance coverage.

16.3 Coordination of Risk Management. The parties shall coordinate risk management activities with one another. This will include the prompt reporting of any and all pending or threatened claims, filing of timely notices of claim, cooperating fully with one another in the defense of any claims and complying with any defense and reimbursement provisions of State governmental immunity laws and applicable insurance policies. Neither party shall compromise, settle, negotiate, or otherwise affect any disposition of any claim or potential claims asserted against it to the extent such claims are insured by or through the other party without the approval of the other party.

Article 17 Miscellaneous.

17.1 Dispute Resolution. The parties agree to cooperate in good faith in all actions relating to the Agreement, to communicate openly and honestly, and generally to attempt to avoid disputes in connection with the Agreement. If, nevertheless, a dispute should arise in connection with the Agreement, the parties agree to use their best efforts to resolve such dispute in a fair and equitable manner and without the need for expensive and time-consuming litigation.

17.2 Force Majeure. Neither party shall be liable if the performance of any part or all of this contract is prevented, delayed, hindered or otherwise made impracticable or impossible by reason of any strike, flood, riot, fire, explosion, war, act of God, sabotage accident or any other casualty or cause beyond either party's control, and which cannot be overcome by reasonable diligence and without unusual expense.

17.3 Independent Contractor Status. The parties to the Agreement intend that the relationship between them created by the Agreement is that of an independent contractor, and not employer-employee. No agent, employee, or servant of _____ shall be deemed to be the employee, agent, or servant of the District except as expressly acknowledged in writing by the District.

17.4 Subcontracting. _____ reserves the right to subcontract any and all services specified in the Agreement to the District and/or to public or private subcontractors, except as otherwise provided for in this Agreement and/or as permitted by law. However, _____ shall not subcontract the management, oversight, or operation of the Program, except as specifically permitted herein or as expressly agreed to in writing by the Superintendent.

17.5 No Third Party Beneficiary Rights. No third party, whether a constituent of the District or otherwise, may enforce or rely upon any obligation of, or the exercise of or failure to exercise any right of, the District or _____ in the Agreement. The Agreement is not intended to create any rights of a third party beneficiary.

17.6 Construction and Enforcement. The Agreement shall be construed and enforced in accordance with the laws of the state of Missouri.

17.7 Amendments. The Agreement may be altered, amended, changed, or modified only by agreement in writing executed by _____ and the President of the Board authorized to so execute by action of the Board on behalf of the District.

17.8 Section Headings. The section headings shall not be treated as part of the Agreement or as affecting the true meaning of the provisions hereof. The reference to section numbers herein shall be deemed to refer to the numbers preceding each section.

17.9 Invalidity of Provisions of the Agreement. If, for any reason, any provision hereof shall be determined to be invalid or unenforceable, the validity and effect of the other provisions hereof shall not be affected thereby.

17.10 No Waiver. No waiver of any provision of the Agreement shall be deemed or shall constitute a waiver of any other provision. Nor shall such waiver constitute a continuing waiver unless otherwise expressly stated

17.11 Survival. All representations, warranties, and indemnities made herein shall survive termination of the Agreement.

Article 18 Relationship; Authority.

18.1 Contractual Relationship. The Board and _____ hereby agree that the Board is charged under State law with the duty to provide adequate public schools and the authority to supervise all matters pertaining to the public schools, and that the Board will retain all such authority under the Agreement. The Board and _____ further agree that _____ is accountable to and subject to the supervision of the Board under the Agreement. In addition, the Board and _____ agree that the Program shall be subject to all relevant policies, rules and regulations of the Board, the State Department of Education and the State Board of Education except to the extent that any such policies, rules, and regulations are waived or modified.

18.2 Authority. _____, in performing its duties and obligations under the Agreement, shall have power and authority, consistent with federal and State law and subject to the other terms and conditions of the Agreement and the oversight of the Board as provided for herein, to take such actions as may be necessary or desirable to properly and efficiently operate the Program.

Article 19 Appendices.

The parties agree to the terms and conditions of this Agreement and the Appendices attached hereto and incorporated herein by reference.

Article 20 Entire Agreement.

This Agreement and Appendices hereto shall constitute the full and complete agreement between the parties. All prior representations, understandings, and agreements are merged herein and are suspended by this Agreement.

Article 21 Notice.

All notices required or permitted by this Agreement shall be in writing and shall be either personally delivered or sent by nationally-recognized overnight courier, telecopy or by registered or certified U.S. mail, postage prepaid, addressed as set forth below (except that a party may from time to time give notice changing the address for this purpose). A notice shall be effective on the date personally delivered, on the date delivered by a nationally-recognized overnight courier, on the date set forth on the receipt of registered or certified mail.

To _____ at:
_____ Incorporation