The Center on Philanthropy and Public Policy

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Eli Broad

Founder

The Broad Foundations

"***Entrepreneurial Philanthropy in the 21st Century:***

Willow Bay in Conversation with Eli Broad"

The USC Center on Philanthropy and Public Policy kicked off its 2007-08 Distinguished Speakers Series with an address from Eli Broad on October 25, 2007. An integral part of the Center's work and its mission is to provide a forum for bringing together leaders in the philanthropic, nonprofit, policy, and business communities to consider the promise and potential of philanthropy for public problem solving, and what it takes to realize those aspirations.

Eli Broad is a renowned business leader who built two Fortune 500 companies from the ground up over a five-decade career in business. He is the founder of both SunAmerica Inc. and KB Home (formerly Kaufman and Broad Home Corporation).

Today, he and his wife, Edythe, are devoted to philanthropy as founders of The Broad Foundations, which they established to advance entrepreneurship for the public good in education, science and the arts. The Broad Foundations, which include The Eli and Edythe Broad Foundation and The Broad Art Foundation, have assets of $2.5 billion.

The primary work of The Eli and Edythe Broad Foundation is to dramatically improve urban K-12 public education through better governance, management, labor relations and competition. The Broad Foundation's major education initiatives include the $1 million Broad Prize for Urban Education, The Broad Superintendents Academy, The Broad Residency in Urban Education, and The Broad Institute for School Boards.

Willow Bay interviewed Mr. Broad at this event. Ms. Bay is a television journalist and author. Currently, she is Editor-at-Large for the online news and commentary site, the Huffington Post. In 2007 she served as executive producer and host of the Lifetime Television special and research initiative, "Spotlight 25." Prior to that, she anchored CNN's flagship financial news program "Moneyline." At ABC, she was co-anchor of "Good Morning America/Sunday," and a correspondent for ABC News.

MS. WILLOW BAY: I was lucky enough to be introduced to Mr. Broad shortly after I moved to Los Angeles about seven years ago by another one of your extraordinary civic leaders, Richard Riordan. And I also happen to be a neighbor, so I call myself Eli's friendly neighborhood interviewer. But as a journalist, I also obviously had the opportunity to cover Eli professionally and philanthropically. And I have a unique opportunity right now to learn from you firsthand, as a new member of the LACMA board. But what I don't get an opportunity to do very much is really to sit down and have a lengthy conversation with you about the extraordinary work that you do. So we are all in this together for quite a treat. Full-time philanthropy, relatively speaking, is a new career for you, a third and award winning -- congratulations again for winning the Carnegie Medal -- in an extraordinarily rich and full life. But how does this career compare to creating, managing, growing Fortune 500 companies?

MR. ELI BROAD: It is actually a fourth career. My first career, which was short lived, was as a young CPA. That lasted about four years. Then Kaufman and Broad, and after that SunAmerica. So this is my fourth career. How does it match? It's far more rewarding. I must tell everyone I'm working harder now than when I ran a Fortune 500 company. I feel it's a far more important calling than simply running a major business center for us.

MS. BAY: You are working harder?

MR. BROAD: I'm working harder.

MS. BAY: That would be hard for anybody who has seen anyone run a Fortune 500 company. Hard to imagine working harder than that.

MR. BROAD: You work harder because you believe in what you are doing. And we have a diverse portfolio. When you are talking about K through 12 education reform in America, it's not an easy job. I'm blessed with having 30 people in the education part of our foundation. They are always traveling, looking for opportunities. Scientific and medical research takes a little less effort, frankly. The arts and civic development, likewise. It's quite a portfolio.

MS. BAY: We heard Esther Wachtell describe your approach to solving problems. You call it venture philanthropy. The subject of today's conversation is Entrepreneurial Philanthropy. How would you characterize that as different from philanthropy in the more traditional sense? You said you don't write checks, you make investments.

MR. BROAD: Well, let me give you just some history. Our family has had a foundation for over 30 years, and we would write checks to good causes, good organizations, and so on. It's only been really in the last eight years, with some prior exceptions, that we really changed and said that we wanted to identify problems or opportunities out there, whether it's K through 12 education reform, or whether it’s things in scientific and medical research that others are not doing. We don't want to just write checks to maintain the status quo.

So that required a very, very different effort. And we're very different than most foundations. Many foundations have a grant cycle. They wait for grant applications and the like, review them carefully and then write a check. We don't do that. In fact, 90 percent of what we do are things that no one came to us with. They are things we went out and looked at.

MS. BAY: Give us an example of one of those.

MR. BROAD: I'll give you a recent example in K through 12 education. Washington, D.C. got a new mayor. He got the ability to take over the schools. He won the election with 83 percent of the vote, won every precinct in Washington. Had the courage in a district that is 90 percent African American to get an Asian American woman of great talent to become superintendent. We've been working with him since the beginning.

So we're always looking for change agents, people that are going to make a difference, people that are committed. And that is an example of a place that we'll go into, as we did in New York, the first day Joel Klein became Chancellor. Things of that nature. We don't wait for them to come to us.

MS. BAY: Do you have a list of criteria that you use when you make these decisions, not about where you write the check, but about where you invest?

MR. BROAD: Well, in each case we look at -- let's call it a business plan. And we look at metrics, what are we trying to achieve, how do we measure student achievement, how do we measure other things within an urban school district? And we monitor that quite closely.

MS. BAY: And what happens when someone does not measure up?

MR. BROAD: Well, when they don't measure up, there are several conversations that people have. And if they continue not to measure up, we just stop funding.

MS. BAY: And has that happened?

MR. BROAD: Oh, it has happened. It has happened in several districts where they had change agents, superintendents that wanted to really change a status quo, that were rather progressive. And somehow they end up getting fired by a traditional school board that wanted a change agent but didn't want to see any change once he or she got there. So those things do happen.

MS. BAY: Have you ever changed your mind on a grant?

MR. BROAD: After we've made it or before?

MS. BAY: After you've sort of taken a couple steps in that direction.

MR. BROAD: Well, not really. You know, some of the grants we've made have given us far bigger returns, so to speak, then other grants. If you go back and look at the last 30 things you did, you might not want to do five of them again with the benefit of experience.

MS. BAY: You operate in this entrepreneurial mode. Can traditional foundations -- many of which are represented here -- borrow from that philosophy, use bits and pieces of that to bring an entrepreneurial spirit to their own organizations?

MR. BROAD: Well, we hope we're setting an example and we hope this is the new philanthropy, the 21st century, that is very different from philanthropy of the past. You know, I like to say there is a big difference between philanthropy and charity. Charity is just giving money to good causes. Philanthropy, I'd like to think, is really investing, making a difference, improving institutions that exist and creating ones that are needed that do not exist.

MS. BAY: Do you use those same criteria that you've outlined in the way you manage your investment portfolio?

MR. BROAD: You mean the Foundation's investment portfolio -- dollar portfolio?

MS. BAY: Dollar portfolio.

MR. BROAD: Yeah. Well, let me say this: I spent most of my life really in finance and investing money. When we got serious, I decided that I didn't want to do that anymore. So I hired a chief investment officer and a deputy chief investment officer because I didn't want to spend my time meeting all the hedge funds managers and so on and so forth.

So my reading changed from all the business publications to Education Week, to science, to nature, to solar magazines.

But we've done very well in investing. Our investing philosophy is similar to some of the better universities, whether it's Harvard, Yale, MIT -- Princeton comes to mind -- or Stanford. And we've done very well on our investing. It's been averaging about 20 percent a year the last three years, and I think for the first nine months this year we're up about 12 percent.

MS. BAY: 20 percent a year. I now understand why you're working so hard, because that's a lot of money to invest.

MR. BROAD: It is, it is. Frankly, we find it harder to find opportunities than it is to make more money or put more money in our foundation.

MS. BAY: You say "we." How do you and Edye do this together?

MR. BROAD: Well, Edye was really the first philanthropist. And we're partners. She and I are the trustees of the foundation. We've got a great governing board of people that are very accomplished, including a number of people some of you know. Larry Summers, former president of Harvard and former U.S. Treasury secretary; we have someone from organized labor, Andy Stern, who is a very progressive labor leader; Henry Cisneros, and a number of others I won't mention.

MS. BAY: You told the “FT” that after you sold SunAmerica and after your children were grown that you and Edye started thinking about the big problems facing America. So then how did you arrive at these three areas: The arts, K through 12 education, and scientific research?

MR. BROAD: We arrived at all three in different ways. Let me start with education, which is the most intense area we're engaged in.

MS. BAY: Is that where you spend most of your time?

MR. BROAD: Yes.

MS. BAY: Not your money, your time?

MR. BROAD: Time.

We concluded eight years ago that the world indeed was flat with free trade, with going from a manufacturing economy to an information economy. In looking at what was happening in other countries, whether it was China, India, Korea, Japan, et cetera, that our K through 12 education system was a tired government monopoly and it was not educating children the way they ought to be educated, that graduation rates were frightening. At LAUSD, which is 70-some-odd percent Latino, only 39 percent graduated. In the city of Detroit, the graduation rate is 23 percent.

So we said this has got to be the biggest problem facing America. If we don't solve that and have a skilled work force that allows our nation to really be competitive, our standard of living is going to go down, our economic security is going to be at stake, and we're not going to have the money for health care or all the other things that we as a nation have to do.

So we started looking at it. We had no experience in curriculum or how to teach anything. So I said rather than looking at what happens in a classroom, we're going to do things no one is doing. We're going to look at governance and management from the top down. And we started looking at governance and were very disappointed with what we saw among the 15,000 school boards in America made up of political wanna-bes, well-meaning parents, people representing a labor organization, et cetera. And that was disappointing.

And then we looked at management, starting with the superintendent. And large urban school districts are very big enterprises with budgets in some cases -- New York City, $12 billion -- going down to hundreds of millions of dollars.

And what we found is the leaders of those districts typically start as a teacher or coach and 30 years later -- without any training in management systems, labor relations, logistics -- they end up being the CEO. And you would think they would go outside and get people from elsewhere -- human resources or finance. They don't. So we were disappointed.

So we said what can we do? So we said let's see if we can do two things. One, can we train newly elected or appointed school board members. So we started the Broad Institute to do that. Two, can we train superintendents? The Broad Academy has trained more superintendents for urban districts than any other entity. Half the people come from education, the other half come from elsewhere.

For example, the military retires 100 people of general admiral rank a year in their 50's. They are looking for another career. So a number of them we have trained -- a number of them serve as superintendents in school districts.

Then the other thing we did, starting about four and a half years ago, is we said you know what? We do not see any very bright people with MBA's or similar degrees from better schools going into urban school district management or administration. So we started something called a residency which has been a big success. So we now have out there -- between superintendents we've trained and residents -- about 150 people of quality that we don't think would be in these districts had we not started those programs.

New York City, which has a great change agent in Mayor Bloomberg and Joel Klein, the Chancellor, they have ten or eleven of our people. In Chicago, Arne Duncan and Richard Daley have a dozen, and so on.

MS. BAY: So taking this systematic approach to education and changing education, how do you rate your progress so far?

MR. BROAD: I think everything we have done is good. However, having said that, I think all we've done is incremental. We have not changed the world yet. We've made progress. You know, I like to say what has changed in America? Urban education. The only place that will change is where you have strong mayors that will take on the status quo, all the adult interests -- whether it's Bloomberg in New York, Menino in Boston, Daley in Chicago -- or districts that go bankrupt, Philadelphia went bankrupt. Governor Ridge and Mayor Rendell appointed a control board. Oakland went bankrupt. That's the only time we've seen change.

Are we going to see more change? Yes. There is a lot of change in the wind. For example, we were involved -- and you may have read about this -- in New York City where that progressive labor leader, Randi Weingarten with 80,000 teachers got together with Joel Klein and Mayor

Bloomberg and they are going with pay for performance, which is a big breakthrough.

Having said all of that, we've got a huge structural problem. We've got governing bodies -- 15,000 school boards competing with national education ministries. We're not going to end up with a national system. But I do think we have to give far more power to governors and big city mayors than they have now.

MS. BAY: Briefly, if you will, because I have a lot more I want to talk to you about -- what is "Ed in '08?"

MR. BROAD: The reason we created something called Strong American Schools – ED in 08 is we said, look, the American people don't get it. We've been a nation -- since the end of World War II, we came out of the war in good shape, and we had the brights to create the GI Bill of Rights, which created three decades of intellectual capital. Then we brought the brightest students from Europe and Asia here and so on. And everything seemed to be fine.

That has all changed now. It's harder for them to come and, when they do come, they do find opportunities back in the countries they came from. We're looking at other countries. Their education systems have made far greater progress in recent years than ours have. It's a whole new world out there.

MS. BAY: And "Ed in '08" is your effort --

MR. BROAD: Yes. "Ed in '08," we got together -- our Foundation with the Bill & Melinda Gates Foundation, we said, let's see if we can do two things. Let's see if we can awaken the American people and create a Sputnik moment. Let's see if we can convince all of those running for the presidency to talk specifically about what they are going to do and not let them get by with the pablum of we need better schools and better teachers.

So there are three tenants we have. One, strong American standards. Every state has different standards and in some cases every district has different standards.

Two, let's see if we could extend learning time, the learning day, and the number of days per year. Because our children only get about 700 hours a year of academics, which is two-thirds of what they get in other countries, and they get a lot less homework. So if we want to compete with other nations, we've got to give our children the same amount of academics and opportunity they have elsewhere.

And the third thing we talk about, we need better teaching, which means we've got to reward teachers for success. We've got to have differential pay for math and science teachers, because only 20 percent of the teachers that teach math and science had a major or minor in those subjects.

And lastly, we ought to have differential pay for those teachers and principals going into the most challenging areas and most challenging schools.

MS. BAY: So if your approach to education is systematic, would you describe your approach to your philanthropic effort in science and medical research as opportunistic?

MR. BROAD: It's very different. Now, neither Edye nor I have a big background -- or any background, for that matter -- in science or medicine. So whatever we've done has been opportunistic. It started with a program where someone in our family has Crohn's disease. And Edye and I did a lot of reading about Crohn's disease. And there have been all sorts of theories over the years about what causes Crohn's disease and other bowel diseases. And we said you

know what? With all that is happening with decoding the human genome and all the other things in science, maybe we ought to go into the venture research business.

So we were fortunate in finding someone, Dr. Dan Hollander, to head a program where we give venture grants to scientists, both Ph.D.s and M.D.s, that are not yet eligible for NIH or other funding. We've done that for, I think, going on five years with great success. We're a farm team, really, for the NIH. That's one thing we did.

The next thing we did, which was serendipitous, we had given a grant to a man by the name of Eric Lander, who was decoding the human genome for the U.S. government at the Whitehead Institute, which is affiliated with MIT. And one Saturday in October of '01, Edye and I were there. And I had not met him. And I said, "We want to see your lab." So we go there and we're looking at 140,000 square feet of computers and robotics going 24 hours a day with young scientists from Harvard medical school and MIT. They don't want to go home, they are so excited.

So I said, "Eric, when are you going to finish? He said, "April of '03." "Then what do you want to do?" He said, "I want to take all we learned and get it to clinical application." Without a background in science or medicine, that seemed very appealing.

And that led to a rather lengthy negotiation with Harvard and MIT that resulted in a partnership where both of those institutions put up $100 million, as we did, to create the Broad Institute. We've since given another $100 million, and we'll probably end up endowing it. It's got over 1,000 people there and it's probably number one in the world in genetics. So that was opportunistic.

In California -- again, without any background -- we thought as a result of Prop 71, with the $3 billion bond issue, that California should become the North American -- if not the world leader -- in stem cell research. So we went ahead and said what can we do to help? Well, USC couldn't use any of its facilities that were getting any federal funding whatsoever for embryonic stem cell research. So we agreed there to give them a grant of $30 million to be part of a payment to create a separate building which will be the Broad Center for Regenerative Medicine Stem Cell Research. We did something similar -- not for bricks and mortar -- at UCLA, and we may do something else at UCSF.

So we think the two greatest ways to improve the human condition is what is happening in genetics and what is happening in stem cell research.

And we do some other things. David Baltimore, who I have a high regard for and has been on the board of Cal Tech for 12 years, asked us to do something in brain circuitry, which we funded.

MS. BAY: And then your arts foundation. You know, I'm guessing you might have a lot to say about this, but with all -- there has been a lot of talk recently that with all the serious critical problems that we have in the world to address, does giving to the arts matter as much?

MR. BROAD: I think it matters. When you say "as much," I think if we want to be a creative, dynamic nation, we've got to educate people in the arts, whether it's the performing arts or the visual arts. I think it's important to what we are.

So, you know, we started collecting 35 years ago. The first time I got involved in an institution was as founding chairman with the Museum of Contemporary Art

back in 1980. And then after our walls were filled with art, we decided we wanted to continue to collect, so we created a foundation which is truly a lending library to museums throughout the world. Because museums, with all their burdens to pay for exhibitions, administration, security, and all of that -- most museums don't have any money really to acquire art, with few exceptions.

So we said we could create a collection of art from over the last century and have it as a lending library. And that has worked out very well.

MS. BAY: You've been very clear and very vocal that Los Angeles should be one of the great art capitals of the world. You are leading the charge, there is no question about it, but what will it take to really get this city there?

MR. BROAD: I believe Los Angeles is one of the four great cultural capitals of the world. If you look at the performing arts, no one has a better symphony or symphony hall than we do. We have a great opera with Placido Domingo. By the way, "The Ring," the Wagner Ring, is coming here in 2009 and 2010. We have more theatrical productions than New York or London. We have great visual arts institutions. I'm not going to name them all, you are familiar with them.

But you know what? We only get 2 and a half million cultural visitors a year. New York, London, Paris get between 10 and 14 million. So we have to do a job to convince the world that Los Angeles is not about simply the film industry, the Grammys, the Academy Awards, and Disneyland. And I think that people are going to begin to realize that.

MS. BAY: You do a great deal of work with government entities, as I'm sure many in this room do. I wonder if you could give us some advice about the challenges and how you overcome the challenges of those types of partnerships.

MR. BROAD: Well, they are not easily overcome, let's start there. The Grand Avenue Project is an example. While Disney Hall was being constructed, if you looked around Disney Hall, you would see a lot of land owned by the city of Los Angeles and the county. They didn't talk to one another. And if you left it up to them, they would go ahead with piecemeal development.

So we created something with called the Grand Avenue Committee with representatives of the city, the county, we had Cardinal Mahoney, people from the Music Center. We did a lot of work. It started with philanthropic funding from our foundation. We came up with a plan and finally convinced the city and county to create a joint powers authority, which they did, and it's been quite successful.

Again, personalities that were not working well together previously, whether it's a county supervisor and a council person, and a mayor. But they are working together now and everyone is quite pleased with how it's working out. But these things are not easy to do.

MS. BAY: How did it get there? Come on, you must have some secrets up your sleeve that you can share with us?

MR. BROAD: How you get there -- it's no one secret. I remember the mayor then, Jim Hahn, you know, was ticked off at the county because the county was suing the city. So I go to his chief of staff and him, I said, "Jim, you got to sign this memorandum of understanding." And they finally did. And the same thing on the county and so on. And it sort of came together. But it took quite some time to get everyone together.

MS. BAY: Are you patient?

MR. BROAD: No. But sometimes you have to be patient.

MS. BAY: Your good friend Wallis Annenberg told "Vanity Fair" that "Eli has a knack for bringing other philanthropists together on projects. I put my money in what he put his money in," she said. So how would you describe that knack, the ability to lead people in that direction?

MR. BROAD: I think Wallis is very kind. We're good friends. And we have a mutual respect for one another. I think Wallis knows and some others know that we work pretty hard at it. We don't come asking them for anything, but on occasion we'll say if not us, who is going to get these things done? So we'd like to think we're going to work together as we have in the past and the future on some major things.

MS. BAY: You are rarely the full funder of projects. You like other entities, other individuals, to have some skin in the game, don't you?

MR. BROAD: Yes. We don't believe in free goods. If we are doing something in a city, whether it's New York, Chicago, New Orleans, or whatever, we are saying, one, we want that district to put some of their own money in the game. We want to see some local philanthropy to be a partner also. So we try to do that. And then we join forces with other foundations, whether it's Gates in several things or a few others, the Robertson Foundation in New York, Dell in Texas, and so on.

MS. BAY: How do you feel about anonymous giving?

MR. BROAD: I think anonymous giving is wonderful. You know, people are comfortable with giving anonymously, that's great.

MS. BAY: He who gives while he lives knows where it goes.

MR. BROAD: That was something I heard from a fellow older member the LACMA board member years ago. And she said, "He who gives while he lives also knows where it goes." And I think it's very true.

So then -- you know, the easiest thing to do is to do nothing and be comfortable if you have a lot of wealth and say when we're gone, someone else will figure out what to do with that foundation money. I'd rather be the architect of what we want to do, pick the causes, and hope when we're gone that others will want to continue in a similar direction.

MS. BAY: So what then is the plan for your foundation, sustainability, and all your extraordinary efforts?

MR. BROAD: Well, our foundation has been growing in size. And the biggest --

MS. BAY: We still haven't gotten over that 20 percent number.

MR. BROAD: Well, and frankly, Edye and I will put more money in the foundation. The question is what do you do with it? Anyone will take your money. The question is can we find opportunities. The Broad Institute has been a big opportunity. We feel very good about that and are likely, in addition to what we have done today, are likely to endow that in a major way. We're looking for other big ideas and big opportunities for things that really didn't exist. Yes, people give money to Harvard, which is great. They have a $34 billion endowment. If we gave money, what difference is it going to really make? So we're looking for other things that need to be created, that don't exist, or look at things that do in fact exist that need to be made better.

I'll give you one example. We're big supporters of something called Teach for America. Wendy Kopp, a remarkable woman, started it 17 years ago. We're thinking, together with several other board members, which includes a number of prominent people -- how do we change that from a movement to an institution? And we're thinking about how do we create an endowment for them and do some other things to create permanency.

MS. BAY: At the LACMA board meeting the other day you were not present and somebody was describing how well the construction was going on the new site. And they said, "It's going so well, Eli cracked a smile -- twice." What in all of this, in all that you do, makes you crack a smile? What makes you happy? What makes you the most proud?

MR. BROAD: When we get results. When student achievement goes up in a place like New York City. When charter schools do well. We're big supporters of charter schools here, whether it's Green Dot, the Alliance, or others. We want to see them get a bigger market share. We want them to do well. We want to see a higher percentage of their graduates going on to college, like double the percentage from other public schools. Then it makes us feel good.

MS. BAY: Can I get you on the record saying you that really are having a ball?

MR. BROAD: I'm enjoying what I'm doing. Whenever I complain, Edye says, "Why are you doing what you are doing? Why complain?"

MS. BAY: Is that true?

MR. BROAD: I enjoy that. If it makes a difference, I want to work hard at it and so on. I do not enjoy sitting and maintaining the status quo.

MS. BAY: I'm now going to take some questions that people have sent on these cards. There are some doctors in the group, clearly, because I'm having some trouble reading some of them.

So is your family involved in your foundation and if yes, do they embrace your focused approach?

MR. BROAD: Obviously Edye's involved and I think she can answer for herself, but I believe the answer is yes. One of our sons is involved.

MS. BAY: There is a series of questions I'm going to sort of merge all together, about the future of the foundation. One is do you plan to sunset your foundation? What are you doing to equip your foundation to transition to the next generation of trustees? More questions about the life of the foundation. We touched on this briefly but clearly people are curious about it.

MR. BROAD: We've got quite a good governing board. I mentioned several members, whether it's Larry Summers, Harry Cisneros, Andy Stern, Robert Day, Kent Kresa, Rod Paige, David Baltimore, to name a few. And I chose each of these people for a certain reason. I didn't choose just, you know, good friends to be on the board. I want everyone there that could make a certain contribution. In education I felt we needed someone from the Latino community that was respected, we got Henry Cisneros. Former U.S. Secretary of Education Rod Paige. Dick Riordan is on our board. And as you know, he was Secretary of Education for California. So we hope we're creating a board that will continue what we're doing.

Will we sunset? I don't believe foundations ought to be there forever. The question is how long should they exist after the founders are gone. I don't know the answer

to that. Maybe 30 years or so, 40 years.

MS. BAY: If the estate tax is terminated, do you think charitable giving will decrease?

MR. BROAD: I don't know the answer. I hope not. But I'm not sure for how long the estate tax will disappear. I can't believe we're going to eliminate the estate tax.

MS. BAY: What are the risks, if any, in your opinion that with the increase in mega foundations, such as the Gates Foundation, that government will increasingly reduce funding for social and cultural programs?

MR. BROAD: Well, we try to do things that government is not willing to do. Our job is not to end up filling a void in the general fund for a governmental agency, be it state or federal or whatever. So we look at things that they are not willing to do or can't do.

We're also risk takers. We're willing to take risks that other foundations or the government are not willing to take. A lot of foundations have senior grant officers. They have been around a long time. They don't want to be embarrassed. Government doesn't want to be embarrassed by making a grant for some program for $10 million and reading how it failed in the "Washington Post."

So we are willing to take those risks. In fact, we've gone to people in government and said, "We'll do things that if you want them done, but are unwilling to take a risk, see us." We're risk takers. I don't worry about getting fired.

MS. BAY: Given the uncertainty of the future, do you consider the possibility that new opportunities might arise beyond the Foundation's current areas of focus, and how might you respond to them?

MR. BROAD: I'm sure they can. Right now we're concentrating our efforts in the areas of education reform, scientific and medical research, and the arts and civic development here in Los Angeles. We're always looking for big ideas. One idea someone had is, you know, you got the Kennedy school at Harvard and similar things at Columbia and elsewhere and maybe you ought to establish an institution similar to that here in the Los Angeles area. So we're always looking for big ideas. Again, things that didn't exist.

MS. BAY: To what extent do you feel it's proper to use charitable foundation funds to support and finance political results and --

MR. BROAD: Well, you can't. As a 501(c)(3), you can't support candidates and you cannot lobby for legislation. So if I'm involved in some of those areas, it's a personal effort, not a foundation effort.

Now, we can, on the other hand, wage a campaign to talk about the importance of improving education in America or something like that, in broad terms. We can't influence legislation or support any candidates.

MS. BAY: What's the single most important thing that needs to be done to improve education in Los Angeles and also the United States?

MR. BROAD: Well, in the United States I'm concerned with structure, which will be very difficult to change. This nation grew up with the idea of local control as the best way for education. That might have been fine in a different area, in an agrarian society. I think changing structure is going to be tough. I hope we do have national standards, whether governors get together and do it themselves or whether Chris Dodd has a bill that induces states to adopt certain standards and gets federal remuneration for doing so. It's going to be tough to do.

And I have found that governors from both parties really understand the future of their states depends on how they are educating kids. And they are above the local fray. And they are often not concerned with getting push back from some local adult interests. So I hope we transfer more power to mayors and governors.

This city is not my ideal compared with New York or other cities on how schools ought to be governed. Our strategy is not a top-down strategy here the way it is in other cities, starting with governors and management. It's a bottom-up strategy. What do I mean by that? We're supporting charter schools, management organizations, not mom and pops, one here and one there. Because we think if they get reasonable market share and have dramatically better results than other public schools that it will change the dynamic here.

MS. BAY: The top down is telling me that, sadly, it is time for us to end our conversation. But I want to thank you for being generous with your time – and your wisdom.

MR. BROAD: Thank you.

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