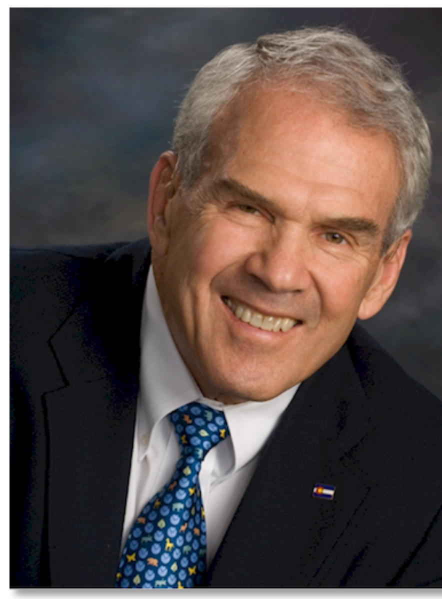
Meet Steve Schuck

Interview with a School Choice Champion

By Michael E. Hartmann
Senior Fellow, Center for Strategic Giving

Following his graduation from the Wharton School at the University of Pennsylvania, Stephen M. Schuck was the head football coach for a year at The Manlius School, the West Point prep school in upstate New York, and then got his first job in business at a large manufacturing firm in New York City. "I got caught up in the bureaucracy," Schuck remembers. "You're on a sort of predetermined schedule and I chafed under that kind of regimentation, and I got fired on Christmas Eve."



When he had been coaching upstate, some players on the football team taught Schuck how to ski. "I just absolutely fell in love with skiing. It became an absolute passion," he said. So, when he was at the job he so disliked in New York City, he would walk over to the *New York Times* building and purchase a copy of the *Denver Post* and *Rocky Mountain News*. Schuck, with a new son and pregnant wife at the time, would "apply for every job in Colorado."

Schuck had never been west of Philadelphia, but he knew he wanted to go west, specifically to Colorado. While nothing ever came of his responses to the help-wanted ads in the Colorado papers, through a series of other coincidences, he found a potential job in Colorado Springs. It would be as assistant to the owner of a small department store. He was invited to Colorado Springs so the two "would test each other out for a couple of weeks," as the winsome Schuck tells the story, "to make sure it was a good fit before moving my family out."

It was February 1961. "I was wearing a heavy wool suit and heavy overcoat. I thought I was going to the Arctic Circle. I got off the airplane, and it was a typical Colorado day—you know, 50 to 60 degrees, blue sky. Just like it is today."

Schuck was going to live in the basement of the man's house, next to Colorado Springs' famous Broadmoor Hotel. "I unpack and he said, 'Why don't you take the dog up for a walk around the hotel?' I do that, and there are guys playing golf in shorts, people are swimming in a pool behind plexiglass, and I could see people skiing all within walking distance of where I was going to be living."

"I went to the drug store, called my wife, and said, 'I've been here for about an hour,'" Schuck said laughing, "'and I don't give a damn if he fires me tomorrow morning, I'll find a job sweeping floors. You can't imagine how beautiful this place is.' That started the love affair."

Schuck and his family took the risk. He worked for the man for about 18 months before quitting. More risk. "I've got to be my own boss," Schuck says engagingly. Since then, as his own boss, the now-82-year-old "blue-sky" Schuck has been a successful real-estate developer, a candidate for the state's Republican gubernatorial nomination in 1986, an aggressive education-reform activist and founder of the Parents Challenge organization in Colorado Springs, a philanthropist in his own right and onetime board member of the Daniels Fund in Denver.

The colorful Coloradan's breadth and depth of experience in business and entrepreneurship, in politics and policy, especially in education, and in philanthropy are difficult to match. His wisdom and insights are well-earned, well-expressed, and well worth reading—and heeding.

Below are edited excerpts from a conversation Schuck had in January with Michael E. Hartmann, director of the Center for Strategic Giving at the Capital Research Center.

In Real Estate, More Risk

Hartmann: *How did you begin to generate your wealth?*

Schuck: Real estate is the only field I knew about in which you could control your own destiny and could enter without any money, without any capital. By that time, I started as a salesman, I met a few people, had some relationships, and got a real start brokering commercial properties. The natural evolution is to progress from doing it for other people to doing it for yourself or for groups as a principal, so I started setting up investment groups doing our own development. I became focused on land, only because the guy who sort of took me under his wing was a land player.

I became very comfortable with and successful at assembling small groups of private investors to invest in and develop land. I'd be active and they'd be passive. They put up the money and I did the work. I got a piece of the action, and I found out that I was a natural at that because so much of that activity is relationship-driven—relationships with investors, with municipalities, and with users of the properties. My personality made this all a good fit. And for 50 years, we've done it in Colorado Springs, Denver, Phoenix, and Portland.

Hartmann: *What was the nature of your business, and how did it affect your financial stability?*

Schuck: It is extremely high-risk. Land developers make a commitment to acquire property and then spend hundreds of thousands, if not millions, of dollars, on what we call "soft work"—planning, engineering, zoning, all of that long before we know whether government will approve us. And you don't know what the final product will be until you've gone through the entire process. We have to anticipate what the market might want years before our finished product will be ready for the market.

Wayne Gretzky used to say, "I don't skate to the puck. I skate to where the puck is going to be." Yeah. Well, we don't plan for what's going on in the market today or even tomorrow. We have to plan for what the market will want when our product is finally completed or when our approvals are granted, and that's measured in years, not weeks or months or quarters, as is more typical for other businesses.

All the money goes out in advance, before any comes back. It isn't like you can spend 20 percent or 30 percent of your money and get 10 percent or 20 percent of it back incrementally. It's all out and nothing back for a long time. The rule of thumb in our world is that you make 80 percent of your profit on the last 20 percent of your sales, so it's extremely high-exposure.

Hartmann: *How did all this affect, or how is this all related to, your overall worldview?*

Schuck: Most people don't have an appetite for that high level of risk. In our world, there's a disconnect between when you create the value and when you monetize it, when it is actually realized in dollars and cash flow. You have to be comfortable with that. Most people aren't, because they don't like to or just don't think that way. You have to have a very high tolerance for risk. So we fill a niche. We play an important intermediary role.

We can get the timing wrong, which I have done three or four times now. I've been on the wrong side of the curve, so that when our product was finally ready for the marketplace, the marketplace had no interest in it. The market demand for our product is not elastic. When there is demand, the market will pay whatever it has to, but when there is no demand, the market will not pay anything. I've gone broke several times. Doing so doesn't bother me a bit, though it can be embarrassing and humiliating, and very tough on my family. I could not have survived without a supportive wife.

We developed a fairly high profile at one point. We had about 150 employees. We had the largest commercial brokerage company in Colorado Springs. We had 60 percent to 70 percent market share in our brokerage operation. Today, we outsource much of what we formerly did organizationally and are compact, mean, and lean.

Hartmann: *From whom did you learn in the business?*

Schuck: While I always sort of marched to my own drumbeat, the person who influenced me most was Bill Daniels. He was a friend, partner, and mentor from whom I learned much about life and what is really important.

A Higher and Higher Profile, Leading to Politics

Hartmann: *Why and how did you get into politics?*

Schuck: So I started getting involved in all kinds of civic activities and they, along with my business activities that required extensive interaction with elected and appointed public officials, dragged me into politics. I was familiar with many political types because they're the ones who vote on approvals for our projects, so I naturally developed some political acumen.

Dick Lamm was elected governor as a Democrat in 1974. He tried to implement what he called his "Human Settlement Policy," which was an attempt to disperse population around the state on the basis of criteria that some egghead elites in the capital came up with, a bunch of stuff that had nothing to do with the marketplace, reality, and what individuals wanted.

He asked for a local meeting with some business leaders, which I convened, to which he could present his plan. After listening to his presentation and then candidly telling him just what I thought, he called me the next day and said, "I've never had an experience quite like what you did to me yesterday. Would you sit on my business advisory council?" So I did and that was my first real exposure to statewide politics and policy.

Hartmann: *What did you think of politics and policy, and politicians and policymakers too?*

I was almost offended by the lack of respect by his advisors for regular individuals making their own decisions and how those ordinary people and their decisions, exercised in a market, would collectively develop the wisdom needed to set good policy. It was just a total disconnect between two different ways of thinking. There was not one person around that table besides me who signed the front of paychecks. There was not one of them who was not going to get paid if the policies they promoted turned out to be ill-advised.

That started me down the path of thinking about who's making major policy decisions, on what basis are those decisions being made, and with what qualifications or real-world experience? I quickly concluded that the right people aren't in office, or at least in executive leadership. Dick Lamm is a great guy, a college professor, more than ten times brighter than I am. But one day in private conversation, I asked him, "What have you ever created? What have you ever built? What have you ever taken from nothing to something?" Our system needs more doers who have experienced the real-life roller coaster and have a track record of accomplishment in the competitive world.

Hartmann: *How did your '86 gubernatorial campaign come about?*

Schuck: It was the mid- to late-80s, when the national economy was in trouble and the Colorado economy was in the toilet. With a couple other people, I'd created an economic-development program in Colorado Springs in the 70s and it became one of the most-successful primary job-creating programs in the country, receiving all kinds of notoriety. I was invited to travel around a bit to help others emulate it. Denver asked me to be a co-founder of its new economic-development program.

Then, some guy came to me and basically said, "It's your turn. Get in the game." I didn't have a clue, but he was sort of soliciting me to run. That's how it started.

Hartmann: *How did you go about the campaign, not having done anything like that before?*

Schuck: As a candidate with no political experience, I could see no other way to go about dealing with this new undertaking than to build a business plan. Well, that had me look at all the challenges facing the state. I created an issues team and they briefed me and then I ended up writing position papers—very serious, very deep papers on all the issues facing the state. All my campaign advisors considered it a waste of effort, as the papers would not generate a single additional vote. My response was that they were not done for "them," they were done for me.

I lost. I guess I wasn't as good a politician as I thought. I lost to a politician. I didn't know how to work the system. I was an outsider, kind of like the current president. It was close, but I lost in the primary to Ted Strickland, who then lost the general to Roy Romer. People told me I'd probably win the general if I ever got there, but I didn't.

By necessity, my wife—who is very private—became a public figure. She did a great job and she was probably more popular than I ever was.

Hartmann: *What did you learn from the campaign effort?*

Schuck: Most politicians are good at getting elected, but have no clue about why (like that movie *The Candidate* with Robert Redford). Their motivations are self-serving. Very few are willing to take the risk, pay the price, or have the mindset to lay out clearly defined goals, build a road map to accomplishing them, and live with the consequences of success or failure. To most of them, public office is their career, an end in and of itself, a way to satisfy their personal ambitions and narcissistic needs, not a means to get something meaningful done.

Hartmann: *What do you think you could perhaps have done better?*

Schuck: I should have ignored the flacks, pundits, consultants, etc., and followed my own drumbeat—doing what had worked so well for me in business, not following conventional political wisdom that had me campaign like a traditional political candidate. [Longtime successful Colorado politician and onetime U.S. Sen.] Bill Armstrong's answer to my question about who ran his campaign was "me." If I had not been so inexperienced, I would have followed Bill's example. As an outsider, I should have campaigned more like one.

The People Promoting Parental Choice, and the Paths Toward It

Hartmann: *So then you became quite heavily involved in school choice …*

Schuck: When we were doing the position papers for my campaign and it came time to do K-12 education, it was sort of pretty simple. Results are disgraceful, unacceptable, and the problem was and is the way K-12 is organized, with all the power in the hands of the provider rather than the consumer. My solution was to turn the system on its head, as proposed by Milton Friedman, by empowering parents with vouchers. After losing the election, my wife, Joyce, and I decided that I should not seek public office again, but rather focus on advancing school choice.

One day I get a message from a guy named Bill Schambra at the Bradley Foundation in Milwaukee. I don't have a clue who he is, or what Bradley is. He said, "I've been talking to Bob Coté and he told me you're someone I should talk to." Coté founded Step 13, a group that helps homeless addicts gain sobriety in Denver that was supported by both Bradley and me. Schambra asked, "Would you come out and speak to some philanthropy group about why you support Step 13?"

While I didn't really know anything about Bradley or the group, my response was that if it'll help Step 13, I'll do it. Bill sent me a program for the whole event. I see John Walton was on a different panel. So I called back and said, "I'm reneging on my commitment unless you get me an audience with John Walton," who was a big backer of choice nationally, of course. "If you can just get me 15 minutes with him, I'll come and pay my own way."

With Ted Forstmann, John had just put the Children's Scholarship Fund together and I had been reading all about it, tens of thousands of kids in the program getting privately funded scholarships to go to the schools of their parents' choice. John and I met and hit it off immediately.

Hartmann: *What did you learn from John Walton?*

Schuck: John thought and operated strategically, long-term, with laser-like focus, and operated with a heart as big as all outdoors. He was comfortable making moves despite the absence of any assurance of their success. He took heavy-duty body blows publicly for his efforts, but his courage, vision, and humanity kept him on course. He was an extraordinary man who, like Bill Daniels, provided me with mega-doses of inspiration.

Hartmann: *Whom else did you meet along the way, and what happened with choice in Colorado?*

Schuck: A little after I'd met John, Fritz Steiger called to tell me that John would like me to be on the board of CEO America—a great, great group of incredible human beings, including Howard Fuller, John Gardner, David Brennan, Peter Flanigan, Jim Leininger, Bill Oberndorf, Bob Woodson, Mike Joyce, and many others. I considered it the highlight of my life to just be there in the room with those fabulous guys.

John Saeman, Alex Cranberg, Ed McVaney, and I teamed up with Gov. Bill Owens to help pass robust, landmark tax-credit legislation. But as night follows day, the teachers' union litigated. A liberal state supreme court ultimately rescinded it.

Hartmann: *But you and your allies stuck with the issue there nonetheless, albeit in a necessarily different way, didn't you?*

Schuck: When it became clear that there was no chance of seeing vouchers or tax credits in Colorado for the foreseeable future, Alex Cranberg and I just looked at each other and said, "Okay, let's start privately funded programs. He started the ACE Scholarships program in Denver and I started Parents Challenge in Colorado Springs.

When I put Parents Challenge together, I didn't copy anybody else's model. Some people, very protective of the *status quo*, accused me of being anti-public education. My reaction was, "That's B.S." I've got kids who went to public schools. My wife and I are public-school products. My son is a public-school teacher. I'm agnostic about what type of school parents choose, but I'm passionate about them making the choice.

When I ran for office, my primary platform plank was privatization. But I'm not in the education-privatization battle. I'm in the parental-empowerment battle. I want parents to choose what they think is best, not what *I* think is best. So we built a matrix that supports kids whose parents choose public schools, who can use the money for tutoring, transportation, activity fees, or for the purchase of a computer. If parents choose a private school, they can select any of the above plus use some of the money for tuition.

Parents Challenge is the only privately funded school-choice program in the country that helps support parents who choose public schools. That is important for two reasons. One, we truly empower parents by providing them with a full menu of school choices—traditional public, charter public, private, and homeschool—while all other programs limit choice to only private schools. This leads to the second reason, which is political. Most opponents of school choice accuse us of being anti-public schools, so by empowering low-income parents with funds they can use if their kids attend public schools, we neutralize claims that we are trying to destroy public education.

Specifically, for those parents choosing traditional or charter public schools, or who homeschool, grants up to $1,000 can be used to pay for a variety of academic-enhancement programs—such as tutoring, online programs or software, or a computer—or for education-related expenses like required uniforms or transportation. For those parents choosing private schools, scholarships up to $2,000 can be used, again, for all the aforementioned as well as for partial tuition payment.

Hartmann: *Is Parents Challenge replicable and do you think it would be worth trying to replicate elsewhere?*

Schuck: Those who want to bring school choice to their communities should be attracted to the Parents Challenge model, as they will not have to defend themselves against charges that they are anti-public school. In actuality, they become champions of public schools and can, like us, create partnerships with local public districts.

We conduct 15 to 20 parent-empowerment meetings throughout the school year. They are open to the general public, take place at a YMCA facility located in the community's lowest socio-economic neighborhood, include free dinner and child care, and cover subjects the parents themselves identify each spring as being important to them and which they would like to better understand.

Parents Challenge solves the political problem that other choice programs encounter. We've put a manual together for those who are interested in pursuing a Parents Challenge program for their own community, and we'd love to share it.

A Call for Common Sense and Discipline in Philanthropy

Hartmann: *What have you learned from your experience with and in philanthropy?*

Schuck: My experience and interactions with many foundations have taught me that much of the decision making is not driven by results and outcomes. Rather, it is too often driven by the seriousness of the need, the quality of the grant request, and the extent to which there's social pressure applied on both the professionals and the board members to support individual causes or organizations. There's precious little focus on measurable, quantifiable results, then holding the donee accountable for achieving those results.

When raising money for Parents Challenge, a foundation might commit to give us, say, $100,000 and then just write a check out for $100,000 at the beginning of the grant period. Experience tells me that's the way most operate, to which my reaction is, "What sense does that make?"

Using my example, donors should tell Parents Challenge to break our request into two or three increments—requesting 40 percent or 50 percent up front in order to get the program started and underway, but then withhold subsequent disbursements until previously negotiated benchmarks are achieved. After both parties buy into that arrangement, and as long as you stay on course, we're good and subsequent tranches get funded. By funding in phases, donors can adjust their giving, up or down, based on performance.

Hartmann: *Isn't that in at least a little bit of tension with the way in which you operated in the real-estate business, where you'd be willing to take the risk of all the money being laid out at the beginning and wouldn't even be able to evaluate the results, or in that case monetize them, until years later? What's the time horizon on the assessments?*

Schuck: So, if we're developing a piece of land and it's going to cost a million dollars to put in utilities, pave streets, install landscaping and fencing, and then all the rest, the people who provide the capital, the lenders, don't give us the entire million bucks up front. They give us the portion of the million that's required to put in the first phase, water and sewer lines. If and when that is done, and we're ready for the next phase, they give us the next tranche of funding to pave the streets. It's sort of self-policing.

Why not use the same approach with philanthropy?

Hartmann: *What kind of reaction do you get to that suggestion?*

Schuck: The reaction was, "It's punitive. We can't do that." *My* reaction is, "Wait a minute. We have two guys. One is doing half of what he represented he'd get done, and the other is doing twice what he represented he'd do. Should we not give serious consideration to shifting some of the money to the second guy if the first guy's never going to get on track? We probably made a mistake in judgment when we started. Don't throw good money after bad. Do you keep funding the mistake or do you redirect those funds from the underperformer who has little chance of improving to somebody who's overperforming?"

How complicated is that? That's just plain common sense.

Doing that really helps both the donor and the grantee stay disciplined and stay on course. Some grantees with the best of intentions underperform, so why not sit down with them and discuss why they've been off course, why they were underperforming, and try to remediate before continuing the funding? Don't take money away from anybody for no reason. I just want resources directed where they will do the most good. That's just being a responsible philanthropist.

Hartmann: *Is it possible to over-rely on metrics, or to rely on the wrong metrics? Some people argue that is happening in a giving area with which you have experience, education.*

Schuck: In the education world, plenty of people criticize metrics and test scores. That's fine—but what is their alternative? Do they favor the subjective judgment we've used for 60 or 80 years? You can't improve what you don't measure, so if the tests we're using now aren't satisfactory, give me better tests. But in the meanwhile, I'd rather use what we have than nothing. Absent that, the system is not being held accountable against any standard.

Hartmann: *What other advice, given your experience, can you offer to those who give money away?*

Schuck: One more idea is to have donors articulate their missions and goals in terms sufficiently specific to allow those who are trying to address a challenge to go into the community, to the streets if you will, to seek out practitioners who are actually doing good work in pursuit of those goals they defined. Too many donors are passive, mushy in defining their objectives, and either invite or await solicitations rather than being proactive seekers of successful social entrepreneurs. Being mostly reactive has the unintended consequence of rewarding those with the best grantwriting skills, rather than those who may be operating below the radar, but doing the most-effective work.

Hartmann: *Any final thoughts on philanthropy, Steve?*

Schuck: Too often, the mindset that generated the wealth is set aside when it is time to give it away. Donors use a different thought process. Heart over head. They soften their values, their standards, their expectations, their discipline, when they move from wealth creation to philanthropy. I used to have this conversation with Mike Joyce a lot. He, Schambra, Woodson, Coté, and Walton, along with my own experiences, have taught me that it's a hell of a lot more difficult to donate money effectively than it is to make it. Any jackass can give money away, but it takes an enormous amount of energy, discipline, rigor, and effort to give it away strategically and successfully.

[End]