

Protect The Hersheys' Children, Inc.

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AG Corbett Turns His Back On Needy Kids, PA Taxpayers; Watchdog Group Announces Grassroots Awareness Campaign

Hershey, PA (July 16, 2009). Pennsylvania Attorney General Tom Corbett once again has turned a deaf ear to pleas made on behalf of needy children, says Protect The Hersheys' Children, Inc. (PHC), a childcare advocacy group. The group asserts it will now take its childcare concerns directly to Pennsylvania voters.

Corbett's latest refusal to act, according to PHC, comes amidst the search for a new President of the Milton Hershey School (MHS), the world's largest residential childcare charity, located in Hershey, PA and valued at \$6 billion. MHS today serves 1,700 children. PHC is a watchdog group monitoring MHS, a facility funded by the Hershey Trust. The MHS President plays a key role in setting policy and deploying the school's \$200,000,000 annual income stream - a sum that can alter childcare services across the state, according to PHC. "Pennsylvania citizens care about needy kids," says PHC President Ric Fouad. "Our group will give them an avenue to show it by helping us persuade such public officials as Attorney General Corbett to rescue society's neediest children."

MHS and the Hershey Trust have been beset by governance problems for decades, including board conflicts of interest that lead to misuse of childcare resources and poor residential policies. Corbett's predecessor in office, Mike Fisher, concluded as much, imposing a landmark reform agreement in July 2002 after a year of investigating the troubled charity. Reform advocates argued at the time that the agreement should have gone further and also provided needy children with additional protections.

But the reforms set forth in the 2002 agreement were rescinded even before they could go into effect. This opened the door to child-crowding and lavish Hershey Trust board compensation, including \$408,000 paid annually to the chairman of the board, former PA Attorney General LeRoy Zimmerman. Zimmerman was installed on the board in 2003 by local officials in lieu of naming childcare professionals. Among Zimmerman's first acts was the rescinding of reforms.

Zimmerman has subsequently used his board position to name fellow prominent Republicans to similarly lucrative positions on the MHS and related company boards. He also has used the charity's resources to hold such events as a fundraising dinner honoring Karl Rove. The Attorney General is tasked with supervisory responsibilities for MHS and other Keystone State charities. Corbett, also a Republican, has declined to act on these matters. PHC is non-partisan and asserts that its campaign to expose Corbett's inaction will also be non-partisan.

Another MHS Failed Presidency Ends

After six years of failed policies, plummeting employee morale, and controversial child-crowding initiatives under outgoing President John A. O'Brien, the current MHS board is now poised to select a new President. Last fall, President O'Brien, the first president hired after MHS reforms were rescinded, was asked by the MHS board to tender his resignation.

During O'Brien's tenure, 1,054 children were removed from MHS while only 786 children graduated, this in spite of per-child annual spending of \$100,000 - a figure unheard of at any other residential school. O'Brien was hired by the MHS board in spite of being discovered to have falsely claimed a graduate degree in psychology and otherwise lacking residential childcare or educational leadership experience. Instead, O'Brien had spent decades marketing leadership seminars to corporate

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executives.

O'Brien's controversial innovations included a \$40,000,000 40-child intake facility designed to house 20 children per bedroom, a practice that, according to PHC, turned back the clock one hundred years on residential childcare practices.

O'Brien also attempted to introduce 30-child block housing, an effort that was ultimately defeated by a coalition of MHS houseparents and such groups as Protect The Hersheys' Children. Under O'Brien and his senior leadership team, bullying of houseparents and divisive tactics proliferated, as all resistance to questionable policies was crushed. The MHS board took no action to check O'Brien's methods -and Corbett, too, consistently ignored such practices.

O'Brien's tenure followed that of controversial President Dr. William L. Lepley, who sought to shift MHS from a facility serving the neediest children to one with a middle-income prep school atmosphere. O'Brien had been a highly-paid Lepley consultant, assisting in promoting Lepley's policies before eventually abandoning him and launching a successful bid to replace him. At the time, O'Brien professed support for alumni reform goals, riding a wave of reform activism and prominently criticizing such things as Lepley's \$400,000 annual compensation package. However, once named as Lepley's successor, O'Brien proceeded to garner his own \$664,000 pay package while deciding that MHS reforms were no longer important and designating alumni reform leaders persona non grata. A home valued at approximately \$2,000,000 and a luxury SUV were also immediately acquired for O'Brien's use, paid for with MHS childcare money. MHS spending soon soared out of control, though the childcare benefits of the spending were questionable.

During O'Brien's term, MHS spent \$600,000,000 on infrastructure even though only 393 children were added to stable enrollment. PHC asserts that this \$1,500,000 in spending per child illustrates the irrational nature of MHS board infrastructure decisions. These decisions included the purchase of a failing luxury golf course frequented by MHS board members and O'Brien, though ruled off limits to MHS children. Similarly questionable decisions, according to PHC, include the \$130,000,000 conversion of a high school to a middle school, several years after a brand new middle school was built under Lepley. According to PHC President Fouad, "This board, like the previous one, never met a construction project that it didn't like -except those that might actually be good for needy children, such as homelike residences instead of 40-child blocks."

PHC states that the money thus spent instead could have changed the face of childcare all across Pennsylvania, saving taxpayer money by serving children who otherwise rely on state aid.

Throughout O'Brien's tenure, PHC has implored Attorney General Corbett to act, before more MHS children were removed and additional resources were wasted. But Corbett has consistently refused to take any meaningful measures -this after convincing the state's highest court that only he had authority to act in charitable trust matters. This has left MHS children and care-providers in a kind of legal limbo, with no one left to champion their interests.

MHS President Selection: The Past Is Prologue To The Future

The MHS board's current efforts to replace O'Brien have caused PHC again to sound the alarm. PHC alerted Corbett to the questionable nature of the selection process, warning that the board is now on the verge of repeating what PHC asserts was a president selection "sham" that led to the hiring of O'Brien. PHC has informed Corbett that the outcome of the process is a foregone conclusion, as was the case when O'Brien was selected, and that the board's claims of a credible nationwide search are dubious.

Among PHC's major current concerns is that a prime candidate for the position is discredited former MHS board member Dr. Anthony Colistra, who was on the board at a time when Business Week named it one of the worst managers of 2002.

Colistra has been responsible for many of the most questionable decisions of the past decade, perpetrated under both O'Brien and Lepley. These include multi-age housing, the hiring of O'Brien, creation of the 40-child intake facility, rejection of the neediest children, and a 1999 Orphans' Court proceeding initiated by the MHS board wherein the board attempted to convince the court that MHS could not serve additional children and that MHS should thus be permitted to divert resources to building a research institute. The court rejected that request out of hand, instead ordering MHS to serve more children. Colistra was among the biggest supporters of the rejected request.

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Colistra also supported such O'Brien policies as increased crowding of children in all student homes, creation of another centralized compound rather than integrating children into the community pursuant to the Hersheys' wishes, dubious infrastructure spending, and attempts to create 30-child block housing.

Colistra was also the MHS board chairman when the board rescinded MHS governance reforms, permitting Colistra, Zimmerman, and other board members to amass hundreds of thousands of dollars for their purportedly charitable board work. The Hershey Trust board today pays itself 1,300% of the national average for compensated not-for-profit boards, another area where AG Corbett refuses to take action. The board has tripled its own compensation while losing \$1.8 billion in total assets, defying the practices of other charitable boards and contravening PA Attorney General guidelines.

PHC maintains that there is not a single controversial or questionable policy of the last decade that Colistra has declined to support, at times both supporting the policy and then later opposing it when public sentiment shifted. Examples of the latter include the proposed sale of the Hershey Company in 2002 and rejection of the neediest children in favor of children deemed "better college material." According to PHC, in both cases, Colistra was "for it before he was against it."

In spite of this record and widespread skepticism that a credible MHS board would even consider such a candidate, PHC insists that Colistra's selection is highly likely in the absence of action by Corbett. Equally disturbing, says PHC, is the candidacy of a current MHS administrator with a similar track record of support for highly questionable policies compounded by personal conduct that was the subject of at least one board investigation. PHC further asserts that the MHS board's claim of conducting a nationwide search is a ruse calculated to name Colistra - or the other inside candidate - after giving the appearance of seeking a qualified residential childcare leader.

According to Fouad, "We reached out to the MHS Presidential search firm retained by the board and were prepared to suggest dozens of credible residential childcare leaders from around the country, with proven records and the ability to make MHS a shining success story. So far, we have been rebuffed, although we were led to believe that our views would be heard. No such thing has happened. We are therefore highly skeptical that the board is even looking. If it is, who are the candidates and why all the secrecy? MHS, with \$6 billion, could bring in literally a 'Dream Team' of the world's very finest childcare professionals -so who is the board interviewing and why does no one know about it?" The board has conducted its search behind closed doors, refusing to divulge details about the process and blocking non-board participation.

Corbett Last Hope To Prevent Travesty

PHC alerted Corbett to the perceived sham nature of the search, seeking action by the Attorney General and pointing out that only Corbett could prevent such a travesty. After all, Corbett convinced the state's highest court of his exclusive authority to act in this and other charitable trust matters.

Nonetheless, Corbett has flatly refused to act, citing non-interference with MHS board discretion. This has set the stage for a repeat of the process that brought MHS the failed policies, asset waste, employee morale decline, and mass exodus of children over the last six years.

In the words of PHC's most recent, July 10, 2009, letter to Corbett, "We must also emphasize the devastating and demoralizing impact on MHS employees of your complete inaction. As you are fully aware, policies of intimidation have created a Darwinian climate of fear at MHS, as many of the best care-providers are driven away or silenced. Beaten down MHS employees, understandably, have lost all faith in the lackadaisical and out-of-touch MHS Board. Instead, these employees look to your office for help, in their desperation for a quality MHS President finally to arrive and lead them. Your seeming nonchalance is a complete affront to these loyal and caring employees, who are increasingly bereft of any hope for improvement, and who privately plead for you to do something. But you turn a deaf ear to them -the same as you do to needy children and Pennsylvania taxpayers."

Fouad added, "I shudder at what will happen if the board pulls another hiring stunt such as the one that brought us President O'Brien. Employees are already despondent. Unconscionable amounts of money have been thrown away on junk childcare experiments such as the 40-child intake facility. Over a thousand children have been removed, many with lifelong trauma from the slipshod policies promulgated by the MHS board. If this does not lead Corbett to act, what in heaven's name will, another thousand damaged children? Has he no sense of public responsibility?"

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Corbett reportedly has designs on the governorship. According to PHC, Corbett is politically beholden to GOP kingmaker Zimmerman, and thus for political reasons refuses to take action about MHS problems. PHC asserts that Corbett's inaction is likely to create a repeat of the MHS failures of the last several presidencies, with MHS continuing to wallow in poor policy choices, wasted infrastructure spending, and misuse of MHS childcare funds -while cronies of local officials and MHS vendors reap enormous financial rewards.

Fouad asserted, "Once again, it looks like it will be a bonanza in Central Pennsylvania for contractors and MHS board members, while Corbett turns a stone cold heart to needy children and the taxpayers who will end up picking up the slack in order to care for these kids. It is a pity that needy children don't vote."

In its latest letter to Corbett, PHC vowed to launch a bipartisan grassroots campaign publicizing the Attorney General's inaction and raising awareness about these issues.

According to PHC's letter, "It will now be up to you to convince voters that, in the face of this litany of Hershey Trust transgressions brought directly to your attention, it was acceptable for you to do absolutely nothing. That you think you can accomplish this is itself a manifest insult to Pennsylvania citizens, whom we believe will show you otherwise. In any case, the facts will be made known and the public can then decide."

To Read PHC's full July 10, 2009 letter to Attorney General Corbett, please see:
http://protecthersheychildren.org/documents/AGCorbett_July_10_2009.pdf

For an MHS Board Compensation & Performance Analysis, please see:
http://www.protecthersheychildren.org/documents/MHS_HTC_Compensation_Analysis_Updated_4_28_09.pdf

For an essay on the MHS Presidential search and the leading candidates, please see:
http://protecthersheychildren.org/documents/Gaming_The_System_Hershey_Trust.pdf

To learn more about PHC and how you can help, please see: <http://www.protecthersheychildren.org/>

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