

Making Bitter Chocolate Sweet: The Milton Hershey School's Past and Hoped for Future

Harvard Law School
Child Advocacy Program

Presentation By F. Frederic (Ric) Fouad
President, *Protect The Hersheys' Children, Inc.*
October 29, 2013

PA Attorney General Kathleen Kane

Took Over Unprecedented & Nearly Three-Year Hershey Investigation



The Hershey Advisory Council

- **Dr. Arthur Levine:** President, Woodrow Wilson National Fellowship Foundation
- **Randall W. Roth:** Professor, University of Hawaii, William S. Richardson School of Law and Author of “Broken Trust: Greed, Mismanagement & Political Manipulation at America’s Largest Charitable Trust (with Samuel P. King).”
- **Dr. Ronald W. Thompson:** Director, Boys Town National Research Institute
- **Matthew Crenson:** Professor Emeritus, Johns Hopkins University and Author of *“Building the Invisible Orphanage: A Prehistory of the American Welfare System.”*
- **Jonathan Klick:** Professor, University of Pennsylvania School of Law and Co-Author: *“Agency Costs, Charitable Trusts, and Corporate Control: Evidence from the Hershey’s Kiss-Off.”*
- **Robert H. Sitkoff:** Professor, Harvard Law School and Co-Author: *“Agency Costs, Charitable Trusts, and Corporate Control: Evidence from the Hershey’s Kiss-Off.”*

Milton S. Hershey With Boy From Hershey Orphanage



Hershey Orphanage Model

- Cottage-Style Homes/Community-Wide
- Farm Program/Work Ethic
- Vocational Education/Self-Reliance
- Hershey Junior College/Transitioning Bridge

Foster Care Figures

- 30% of homeless raised in foster care.
- 25% of prison population raised in foster care.

2010 Foster Care Outcome Study

- Only half of youths raised in foster care were employed by mid-20's.
- 6 in 10 men were convicted of a crime.
- 3 in 4 women, many with own children, receiving public assistance.
- Only 3 of 100 had completed even a community college degree.

You don't have
to be crazy to
blow 30 million
dollars in 30 days.
But it helps.



RICHARD PRYOR, *in*
Brewster's
MILLIONS

An American excess story.

A LAWRENCE GORDON / JOEL SEVER Production. A WALTER HILL Film
"BREWSTER'S MILLIONS" JOHN CANDY

LENETTE HUISS / STEPHEN COLLINS / HUME CRONIN

PHILIP W. FARGO & TERENCE HARRIS / JEFF GODDAR

ERIC WASTE / JOHN VILLORE / GUY LEVY

LAWRENCE GORDON / JOEL SEVER / WALTER HILL

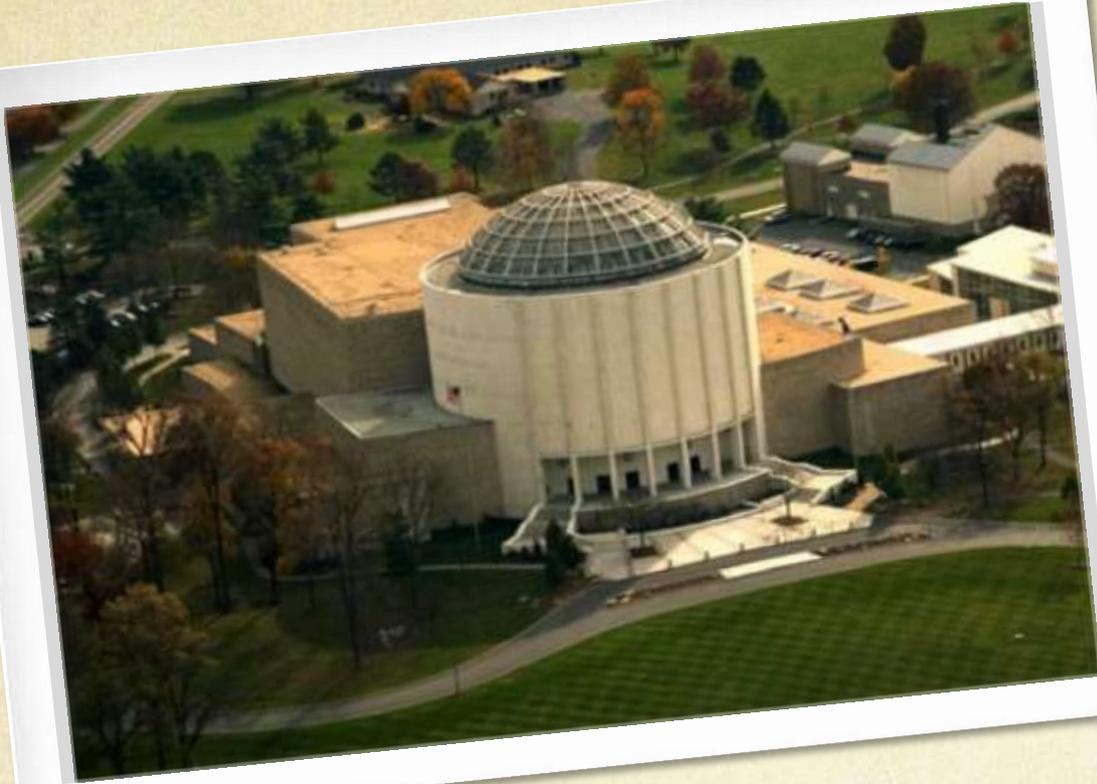
© 1985 WALTER HILL

WALTER HILL

1963: Penn State University/ Milton S. Hershey Medical Center



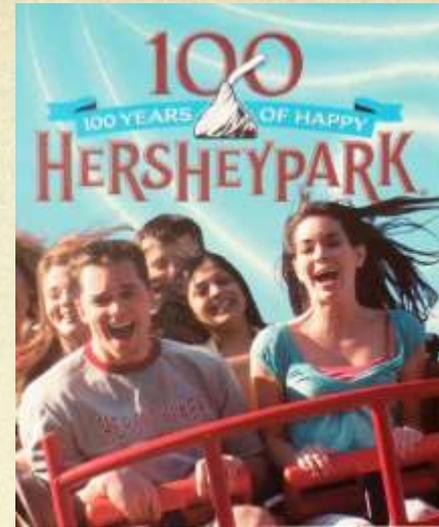
- \$60,000,000 of Childcare Money
- 543 Acres of Orphanage Land



1972

“Founders Hall”

- \$50,000,000 Construction Cost
- Rotunda Required 1,550 Tons Of Marble (Second Largest In Western Hemisphere)
- Was Second Largest Unsuspended Dome In Nation (until advent of domed sports stadiums)
- 50,000 Visitors Annually
- Used By PA Public Officials & Others For Non-Child Functions



Hershey Links Golf Course: Insolvent Course Frequented By Board Members

- ***\$4 Million Appraised Value/Purchase Price = \$12 Million***
- ***\$5 Million On Lavish “Scottish-Style” Clubhouse***
- ***Bailed Out Local Investors (Including One Board Member)***



“Dark woods, stone fireplaces, and hand-forged chandeliers welcome your arrival to the most magnificent Scottish-themed clubhouse in Central Pennsylvania.”

“Millionaires Club”

Name	<u>Cumulative Total (Through 12/31/12)</u>
1. Robert Cavanaugh	\$2,755,646
2. LeRoy Zimmerman	\$2,859,144
3. James Nevels	\$2,301,741
4. Tony Colistra	\$1,550,068
5. Joseph Senser	\$1,045,950
6. James Mead	\$1,054,059
7. Velma Redmond	\$1,029,810

Notes: Figures are as reported in MHS Forms 990 for all years of service on all Hershey boards, including for-profit subsidiaries. Totals will rise for all but Mr. Zimmerman and Dr. Colistra as future pay is added. Dr. Colistra was also compensated as the MHS President during 2010-2012 at an average annual of **\$575,000**, for a board fee/compensation grand total of **\$3,286,154**.

ZIMM'S PALACE



“Millionaires Club” Board Members Pose at Entrance of Hotel Hershey. L to R (Total Hershey Compensation In Parentheses): James Mead (\$1+ Million), Joseph Senser (\$1+ Million), Robert Cavanaugh (\$2.7+ Million), LeRoy Zimmerman (\$2.85+ Million), Velma Redmond (\$1+ Million), James Nevels (\$2.3+ Million)

Historic Snapshot: 43-Year Overview

- 1970: Trust = \$180 Million/Served 1,550 Children
- 2013: Trust = \$11 Billion/Serves 1,800 Children
- \$10.8 Billion Added to Total Assets
- 250 Children Added to Enrollment

- Boys Town: With \$1 Billion in Resources, Provides Direct Services to 130,000 children/families and Indirect Services to 974,000 people.

“Anti-Hershey” Model

- Closed Hershey Junior College/Ended Transitioning Bridge
- Ended Community-Wide Home/Created Centralized Campus
- Ended Farm Program
- Economize On Kids (Medical, Child Safety, Staff, etc.)

C. THOMAS HOWELL

TIMOTHY BOTTOMS

EDGAR RICE BURROUGH'S

THE LAND THAT TIME FORGOT

IT'S NOT WHERE THEY ARE...
IT'S WHEN?



MILTON HERSHEY SCHOOL'S MARKET NICHE

Milton Hershey School is a comprehensive, nonsectarian, co-educational, year-round boarding school for children in Pre-Kindergarten through Grade 12. All children are on full scholarships. In order to qualify for admission, children must:

1. Be between 4 and 15 years of age.
2. Come from families of limited income.
3. Have average to above average ability.
4. Be healthy.
5. Be able to benefit from the school program.
6. Be able to contribute to the school community.

Should all spaces be filled, priority of admission is to be given as follows:

1. Children born in Counties of Dauphin, Lancaster and Lebanon, PA.
2. Children born in Pennsylvania
3. Children born elsewhere in the United States.

REPRESENTATION TO THE PUBLIC

To attract able students and shed the "orphanage image", Milton Hershey School is to be represented as a year-round boarding school which offers full scholarships to qualified students. Acceptance to Milton Hershey School is an honor.

Scholarships are awarded to incoming students aged 4 through 15 and are based on:

1. Academic (competitive?) tests
2. Strength of character
3. Special talents that can enrich the school community
4. Desire to attend
5. Good health
6. Financial need

Scholarships are renewable each year and can continue through Grade 12.

Harrisburg Patriot-News, March 8, 2008

“The ‘Ivy League treatment in kindergarten’ can better form self-confidence, [School President Johnny O’Brien] said.”

“I just missed her presence and her hugs and her kisses and her giggles and her smiles and talking to me,” she said. “She would talk from the time she got up to the time she went to bed. I wouldn’t get one minute of peace because she just didn’t know how to be quiet. I said, ‘Can you be quiet for one minute?’ And we timed it, and she couldn’t do it. It was killing her.”

“Focus on your dreams and goals,” said Myron McCurdy, a home administrator. “Don’t give in to the temporary pain and sadness.”

“Springboard Academy”

- 20-Child Bedrooms/Experimental Intake Facility
- \$41 Million Spent Before Being Abandoning



40-Child “Block Housing”

“We call this ‘Back to the Future!’”



Hershey Attrition: 2003-2013

- \$100,000 Per Child Annual Spending
- 2,034 Children Removed (Many Expelled)
- 1,439 Children Graduated (Some Without Diplomas)
- More Than One Child Removed Every School Day
- Hershey Leadership: “Children are homesick.”

Abbie Bartels: Enrolled at Age 4





When Children Don't Need Residential Care:

- End Discrimination Against Disabled Children
- Day Schools
- Hershey As Child Welfare “Hub”
- 100,000 PA Children With Incarcerated Parents
- Nurse Visitation
- Other Programs

Table 1. Present Value of Benefits and Costs per Family Served by Nurse-Family Partnership, Pennsylvania, 2010

Benefits of NFP	Per Case
Reduced Smoking While Pregnant	\$18
Reduced Preeclampsia	\$753
Fewer Preterm First Births	\$976
Fewer Subsequent Births	\$456
Fewer Subsequent Preterm Births	\$1,367
Fewer Infant Deaths	\$30,162
Fewer Child Maltreatments	
Substantiated Cases	\$2,949
Indicated & Unreported Cases	\$1,180 ²
Fewer Nonfatal Child Injuries	\$1,072 ²
Fewer Remedial School Services	\$93 ²
Fewer Youth Crimes	
Arrests	\$2,365 ²
Crimes	\$18,245 ²
Reduced Youth Substance Abuse	\$37 ²
More Immunizations	
Savings Net of Immunization Cost	\$154 ²
Total Benefits	\$59,827²
Resource Cost Savings	\$11,065²
Intangible Savings (work, quality of life)	\$48,762²
Cost of NFP	\$8,327²
Net Cost Saving	\$51,500²
Resource Cost Savings Net of Program Costs	\$2,738²
Benefit-Cost Ratio	7.2²

²

Figure 1. Resource Cost Savings per Family Served by NFO in Pennsylvania

(Data provided by Ted R. Miller, PhD of Pacific Institute for Research & Evaluations.)

When Children Do Need Residential Care:

- End Discrimination Against Disabled Children
- Rethink Group Home Model/End ALL Elementary School
- One \$2 Million Group = Seven Normal Homes
- Create Local Foster Parent Network
- Parole “Lifers” & Make Them “Adoptees”
- Create Therapeutic Homes
- Grandparent Model
- Homestay Program
- Adopt-A-Group-Home
- “Hershey Children’s Zone” Within Dauphin County

Johnny A. O'Brien

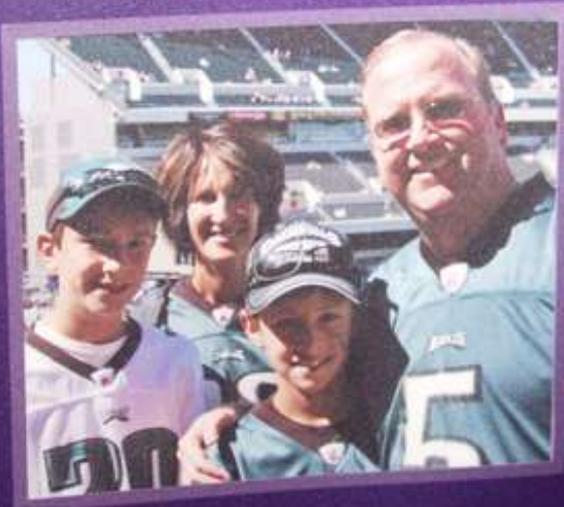


Tragedy brought Johnny O'Brien to Milton Hershey School at age four after the horrifying murder of his mother. The School offered a safe haven and became a nurturing home and family—a family O'Brien would come back to.

After taking his undergraduate degree at Princeton, postgraduate degree from Johns Hopkins, and founding Renaissance Leadership, O'Brien returned "home" to Milton Hershey School in 2002 as its eighth president. Welcoming the precious opportunity to help repay the School to which he owes so much, he notes, "It's like I won the occupational lottery."



Peter G. Gurt



When Peter Gurt's father died suddenly at age 39, he left behind a wife and eight children. Four-year-old Peter, along with two brothers, found a warm and stimulating haven at Milton Hershey School. Peter thrived, eventually distinguishing himself as Student Body President and Senior Class President.

Like so many alumni, Gurt has devoted himself to giving others the same opportunity he enjoyed. After graduating from Temple University and earning a Masters of Education from Penn State, he returned to Milton Hershey School, where he now serves as Vice President of Student Life.





Dick Thornburgh

- PA Governor 1979-1987
- Inaugural Galas At Founders Hall
- MHS Children = Waiters, Parking Lot Attendants, Clean-Up Crew
- 2001: “Investigated” Hershey Trust



REPUBLICAN STATE COMMITTEE OF
PENNSYLVANIA

Robert A. Gleason, Jr. • Chairman Joyce C. Haas • Vice Chairman

Hershey Trust Company
100 Mansion Road East
P.O. Box 445
Hershey, PA 17033-0445

Per LeRoy Zimmerman's request please find an invoice for the fundraiser hosted by
LeRoy Zimmerman on behalf of the Republican State Committee of Pennsylvania on
June 29, 2007 at High Point Mansion.

INVOICE

6/29/07	VIP Reception at Hershey Mansion	\$15,000
	TOTAL	\$15,000

Please make checks payable to "Republican State Committee of Pennsylvania".
Checks may be sent to:

Republican State Committee of Pennsylvania
717 N Second Street
Harrisburg, PA 17102

We are prohibited by law from accepting corporate contributions.

Thank you!

Contribution Details

4 / 15

Contributor	Election Name	Date	Amount
HERCO INC PAC HERSHEY PA - 17033	2007 Municipal Election	01/11/2007	\$10,000.00

Occupation:

Employer:

Description:

Recipient: RENDELL, EDWARD FOR GOV

Report: 2007 Cycle 2

[↑First Report↑](#)

[View Report](#)

Filer



Download

[↓Last report↓](#)

Former Attorney General Mike Fisher



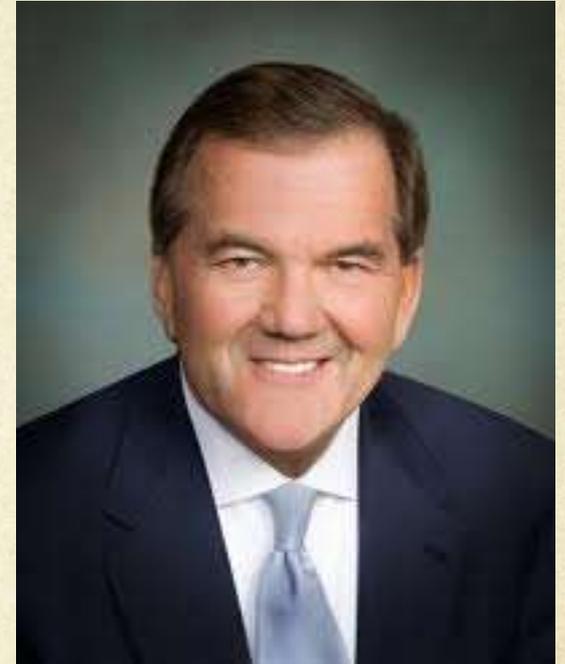
Lynn Swann
R: HERCO Board



Sheila Dow-Ford
D: HERCO Board



Governor Tom Ridge
R: Hershey Company Board



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AG Kathleen Kane Campaign Slogan: “I’m not a politician, I’m a prosecutor!”



General Kane May 8, 2013 “Reforms”

- Ratified All Decisions Including \$25 Million Golf Course
- Excessive Compensation To Continue
- Over \$1,000/Hour
- Spa Treatments/Perks “Only” For Board Members, Spouses, Children
- \$4,500 “Per Diems” Are Actually “Half-Diems”
- Board Must “Interview” “Experts”
- “A New Standard for Charitable Boards!”
- Full Analysis Available at www.protecthersheychildren.org

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Hershey Board July 9, 2013 “Announcement”

- Mr. John Estey Named Interim Milton Hershey School President
- Mr. Estey = Former Democratic Governor Ed Rendell’s Chief of Staff
- Mr. Estey = Brother-In-Law of Mr. Adrian King, AG Kathleen Kane’s Chief of Staff
- Mr. Estey, Mr. King, & Governor Rendell = Former Partners at Ballard Spahr Law Firm

Justice For Abbie Campaign

Petitioning AG Kathleen Kane To Immediately:

1. Name a credible, outside interim Hershey school president to start reshaping policy before any more children are hurt.
2. Replace the Hershey school Board of Managers with a fully-volunteer one comprised primarily of genuine child welfare professionals, un beholden to either political party, and with proven records of service to needy kids.

“If one is continually surviving the worst that life can bring, one eventually ceases to be controlled by a fear of what life can bring; whatever it brings must be borne. And at this level of experience one’s bitterness begins to be palatable, and hatred becomes too heavy a sack to carry.”

(James Baldwin, “The Fire Next Time”)

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Abbie Bartels
April 13, 1999 – June 29, 2013