

CONVERSATIONS WITH MIKE MILKEN



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Mike Milken: Laura, thank you for joining me today.

Laura Arnold: It's an honor, Mike. It's always a pleasure and I'm so excited to have this conversation.

The first time I met you at a Giving Pledge meeting, I was taken aback by your passion. One of the things in life that I think is important for all of us is to do what we have passion for. How did you get interested in philanthropy in such a young age and where did this passion that you have come from?

Well, thank you for giving me the opportunity to talk a bit about that. Philanthropy is a journey that is laced with humility and with ambition and with so much promise. So, it's something that I feel so honored to be able to do. We started in philanthropy relatively young. We were both in our thirties. John, my husband, had a great deal of success with his energy hedge fund. I had moved to Houston to start an oil and gas company. We were in our professional heyday, but really just thought what legacy do we want to leave for our children and how do we want to spend the rest of our time? So, we started this journey of self-discovery like many philanthropists.

We started in education, which I think is a very natural place for a lot of people to start. Lots of money has gone into education. Sadly the problems in education haven't been fixed, despite the fact that probably billions of dollars have been spent on education. You don't have to scratch the surface too deeply to understand that the problems that you see in education have a lot to do with the classroom, but it's actually not about the classroom. It's about the whole infrastructure and the societal injustice that goes along with that poor performance in a classroom.

It's about poverty. It's about homelessness. It's about health. It's about all of these components that are failing our at-risk communities and our most needy children. We started thinking about, how is it that we can address those fundamental problems and really get to the root cause of the

problem? To do that, it became very clear to us that we have to branch out beyond education. That's how we started thinking about issues of social justice, issues of maximizing opportunity and minimizing injustice. That's always how we frame our thinking. That has led us to investments in criminal justice, in healthcare, in public accountability and pension reform and in many other areas. But the commonality of all of those is this idea that we need a functioning government. We need to maximize opportunity and minimize injustice in a way that works for everyone.

“We saw from very early on the role of the criminal justice system in promoting injustice. We decided to start on bail reform. There are close to 500,000 people on any given day in jails in this country, only because they cannot make bail. That's it. They are jailed because they're poor. The overwhelming majority of them are nonviolent, and that's just not right.”

One of the things when we embarked on this, we thought we're going to write a few large checks and that's going to be our contribution. So we started asking the very natural question: What works in social programs? And from everything from nutrition to social policies, there's a dearth of high-quality data. More importantly, there's a lack of focus on data to yield answers. Maybe there isn't a good answer. Maybe the data is ambiguous. We need to be honest with ourselves and with each other when we don't know an answer and when we're saying, 'you know, this is the best we can do under the circumstances.'

I had a friend in Houston and asked me to come down and would I be the keynote speaker for this new organization that's got started called KIPP Academy. I was so energized by the leadership. As you know, in almost everything, whether it's for-profit, nonprofit, the leadership is such an important element. What attracted you to KIPP?

KIPP at the time had a cadre of leaders. I'm not just talking about the founders, but really also the executive team, who were so deeply inspired by their mission. The founders of KIPP created this idea of what's possible. One of their slogans is that the actual proves the possible. By that, they mean that showing that you can close the achievement gap with the same children who are failing at a district school down the street shows that it's not about the kids; it's about the school. Seeing what they've proven really showed the possibility of this model. KIPP at the time, very frequently talked about the FedEx

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example. The post office said that they could not do overnight mail. Absolutely couldn't do it. The economics didn't work and they wouldn't do overnight mail. Now, in comes FedEx that does overnight mail and suddenly, low and behold, the post office finds a way to do overnight mail. To them, the analogy was you pressure the school district, so the ultimate game is always the school district. It's not the 5 percent of kids who are educated in charter schools, it's the 95 percent of kids who aren't, who are in district schools. So how do you move this enormous beast?

The theory of change which we thought had a lot of merit was, you prove the possible in this narrow universe with the same kids. If you do that, then you move the beast. Prep and Harmony, and many of the other schools that have been enormously successful in Houston have proven that point; the school district got better because of them in large part.

We tried to figure out in the seventies how we could leverage education. As you know, \$600 billion in the public school system, no foundation, no matter how large, is going to compete with what the government does overall in education. We chose educating teachers, getting this Milken National Educator Award started 35 years ago, where we would surprise teachers and we'd bring the television cameras and the newspapers and everyone into the school.

I was surprising a teacher in West Palm Beach – parts of it could be a thousand miles from Palm Beach in terms of social economics. I was just looking at the kids in the elementary school that day, the enormous diversity; many of them whose parents lived in homeless shelters, and just thinking just getting to school and just getting into the classroom every day was such an achievement. I think your comment is it's really a

microcosm of their life and how they live and what goes on in the school room is just a part of their life, and it might be the most stable part of their life.

Mike, I had a similar experience probably about 10 years ago when a friend asked me to go with him to visit this terrible high school. It was sort of notorious for its bad performance and I wanted to see it. The reason he's going is because he likes a teacher who is the ESL [English as a Second Language] teacher. This is where all of the kids who have just arrived in Houston from all over the world. This classroom was incredible. There were maybe 30, 35 kids in this classroom. Nobody spoke English. They were from Cuba, from Iran, from Africa. I mean, it was like a little mini United Nations.

So the teacher says, 'these are our guests. Say a little something about yourselves, whatever. And so I said to the kids, 'I understand what it's like to be in your shoes. I came to the U.S. when I was nine and I didn't speak English. I came from Puerto Rico and I wound up going to Harvard. I want you to know that it's possible. And I want you to know that the American Dream is a real thing. I want you to work hard and I know it's hard, but I want you to know that it's worth it, and that this is a country where you can pursue your dreams.' These kids who had been in refugee camps, kids who had come under the most horrific circumstances. I remember walking out of that classroom discouraged because my thought was 'I don't think these kids are going to make it because I didn't trust that the system was going to give them what they needed.'

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I thought something needs to change. I shouldn't feel like this. I shouldn't feel this level of discouragement because I believed when I came, not speaking English, that I could I could achieve anything. So I wanted that for them. In part, a lot of the work that we've done is to try so hard to prove me wrong, to prove that these kids actually can persevere and can get a good education.

Let's talk to an area of prison reform and your interest in it. During the Trump Administration, you had support largely from Jared Kushner and others in supporting criminal justice reform. One of the things that we looked at very early was when they gave felons in Florida the right to vote, people expected and that they would all vote Democratic. I think the first year 51 to 52 percent voted Republican and 48 to 49

percent voted Democrat. So where did this passion come from? Where does it lead you?

Ten, 15 years ago, no one really thought about criminal justice. Unless you had lived experience and understood how dysfunctional the system was. There was this presumption that the people in prison should be there and things by and large work as they should. We saw from very early on the role of the criminal justice system in promoting the injustices that we saw pervasive in all of society. In communities where people of color are disproportionately incarcerated, are disproportionately harassed by the police, the consequences of that harassment and that incarceration for families and for generations that bleeds into every other area that we work in. We understood that there was something deeply dysfunctional in the criminal justice system that people weren't paying enough attention to. We actually took about two years to survey the entire

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landscape and really understand ‘where do we think we can add value given our skillset and our resources?’

We decided to start on the area of bail reform. There are close to 500,000 people on any given day in jails in this country, only because they cannot make bail. That's it. They are jailed because they're poor. The overwhelming majority of them are nonviolent, and that's just not right. We started thinking about why is that? What is it that we can add to this discussion? We created a pre-trial risk assessment tool that

is databased so that judges have the resources to evaluate whether or not a specific defendant is likely to commit a crime, is likely to commit a violent crime, or is likely to not show up for trial – which honestly should be the only things we should care about at the time of arraignment because we live in a country where you are innocent until proven guilty. We shouldn't treat people as though they're guilty and incarcerate them for up to a year before their trial only because they're poor. That's where we started. Bail reform work has really taken off in the country. It is now a movement to be honest.

We do a lot of work in many areas of criminal justice in addition to that, including fines and fees dsso that the issue of jurisdictions assessing excessive fines and fees to people who can't pay them and what the consequences are to people's lives, including canceling driver's licenses, incarcerating people for non-payment, etc., which really, again, contributes to the cycle of criminalization of poverty. We do a lot of work on probation and parole and community corrections. How do we create a system that actually

encourages people to succeed when they're not in prison, as opposed to stalking them, making sure that we monitor them and expect them to fail? The system right now is set up to catch failures as opposed to incentivize success.

We work a lot to try to figure out how do we reform the probation and parole system to support people, to become successful. We do a lot of work in reimagining prisons. How can we create environments in prison that actually improve the individual, set up an individual for success? We do a lot of work on reintegration, to set people up so that somebody who actually leaves prison has a shot, doesn't get blocked from public housing, from public services, from jobs. If we create a criminal justice system where somebody is completely unable to succeed, what do we expect that person to do? There's so much dysfunction and opportunity in the criminal justice system that we're very, very deep in.

Of course, right now the most prominent, justifiably, the most prominent piece of the portfolio, is the policing portfolio. There are some real questions on how can we reform policing? How can we create a police force that serves communities as opposed to monitor communities and that collaborates with communities to achieve good outcomes? We have some great ideas there. We have a terrific policing team that is at the forefront of a lot of those discussions. There's a lot of work in criminal justice, all of which really, really is about creating a system that works for everyone – creating a system that's just, that promotes racial equity, that treats individuals with respect and that fosters collaboration not antagonism.

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Laura, a number of decades ago we got involved with something called D.A.R.E. that got started. Glen Levant was the first head of it. One of the ideas behind it obviously was to stay off drugs; that was the message to students. But there was another part that I personally was so interested in, and that part was having the police officer interact with children in a positive environment. The police are constantly called into an environment that's negative, and so they only are seeing the worst of society. Going into the schools where they would spend nine months with kids: and I'll never forget Officer Ochoa one day when I was there in this elementary school – he was about six-foot-four, and kids ran up to him and they grabbed onto his legs like they were two poles; maybe six or seven kids, and it gave them a chance to see positive sides of society. Part of that effort was to humanize them in the eyes of the children.

In the state of California, the three strikes movement, we built more prisons than schools. Talk to us a little bit about how you reacted to the push-back on some of your ideas.

We always say that we're equal opportunity activists because at any given point some side of the political spectrum is upset with us about something. The left is upset with us about pensions. The right is upset with us about criminal justice reform. But I'll have to say that in criminal justice reform, one of the things that I think that we've done particularly well is identify issues that have a political window of bipartisan coalition. There is so much agreement on a critical mass of issues; that we incarcerate too many people; that we spend way too much money incarcerating people; billions, and billions of dollars that we needlessly waste on incarcerating people who don't need to be in jail; that the industrial complex of a prison is exceedingly large; that the stress on budgets, on state level budgets particularly, is enormous and not sustainable. There has to be a better way. There actually is a lot of agreement and a lot of collaboration in a lot of these criminal justice issues, particularly the criminal justice issues that we're seeing moving forward now.

Now this year, COVID-19 hits America. We redirected all the centers in the Milken Institute, all of our foundations, to work on different areas. And then the peeling back again of the wounds in discrimination occur in May of this year.

I'll take the easier of the two first, which is COVID. Neither one of them is obviously easy. But one is more straightforward than the other. We are in Texas, which is right now a hotbed of the tail-end of COVID's first wave. These are issues that on a personal level have been very concerning for us and our team. One of our leaders at Arnold Ventures sent me this quote from a sociologist who said that pandemics fracture society along known fault lines. And that is so true. Whether it's healthcare and access to everything from testing to ICU beds to healthcare coverage; whether it's education and accessibility to online learning or to high-quality education when you're under resourced; to criminal justice where COVID is running rampant in jails and prisons in this country. Every single one of the issues that we have historically worked on that are at the core of what we do has been touched and exacerbated by COVID. At some level it's energized us to do the work that we were already doing.

There is of course a need to accelerate a lot of the work and reshape some of the work to respond to specific needs right now. In jails and prisons, for example, we are doing a lot of thinking and a lot of work to try to help prisons understand how to keep prisoners safe. In addition to having the tough conversation about why are there so many people in prison in the first place, are there not people who do not need to be here either because they're at risk, because they age out of crime, because they're awaiting trial and they're only here

because they can't make a relatively small bail amount payment. So there's lots of work that can be done in reducing prison populations that needs to be done right now.

So we're doing all of those things across the board in all of our issue areas. But the core of what we do remains the same. We just chose to work on these fault lines and they continue to be fault lines in the age of COVID-19 and age of a pandemic.

Racial justice is integral to every single thing that we do because each of the problems that we seek to address is a problem because of racial inequality, because of racist policies that

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have been endemic in this country. For us, the challenge has been not acknowledging that racial injustice exists. I don't think anybody can challenge the fact that there are systems in this country that are deeply racist. The challenge is for us is to get clearer on what that means every day, and to be introspective, for us to commit to doing a better job of articulating how we can in small ways and large, clarify our mission of battling racial injustice in each of our issue areas. We talk about maximizing opportunity, minimizing injustice. Implicit in that always has been a mission of racial justice, but let's make it explicit. Let's not maintain it implicit. We're doing a lot of thinking on that. We are reaching out to our

grantees, we're reaching out internally. We want to get clear because, for us, this has been a devastating reminder of the need to have these discussions and the need to get clear and show leadership so that we can make this country a better place.

Laura, you started in your thirties like Lori and I did, and my brother Lowell. We brought our children when they were young to many of these events that we were supporting. Today, our children are a generation older and our grandchildren, the oldest ones, are similar to your kids in age. How have they reacted to your activities? Have you brought them? Have you involved them? Have they been a subject at the dinner table, and how have they reacted to the events of 2020?

It's always an ongoing conversation. Our children are ages 12, 11, and nine. They are now at an age where you can start having these conversations and helping them see the complexity and the challenges of the world that they live in. In terms of how they've

navigated 2020, we like every other American family, have had to juggle everything from working from home to online learning, to making dinner, to cleaning up, to the chaos of being home all day and being quarantined. I think that they are developing an appreciation of the challenges that we face as a country.

Younger generations will be better than we in so many ways. And my hope is that a lot of the inherent racism and oppression that we've seen through the generations becomes lessened as children grow up in an environment where we behave differently and where everyone is more conscious of things like gender biases, racial biases. In an environment that's more forgiving, more inclusive, that creates better people. That's my hope.

I want to thank you for joining me today. I just can't tell you enough, from the day we met and you and John joined The Giving Pledge, I was so taken away by your passion, your commitment to fairness and your focus on change. You call it policy, but effective change based on facts. It's been a pleasure this time we've spent together. And I really thank you.

Well, thank you so much for the opportunity to have this conversation. It's always a joy to speak with you and, and really we're all so thankful for all of the work that you and the Milken Institute do to help humanity.
