The Chocolate Trust

Deception, Indenture and Secrets at the $12 Billion Milton Hershey School

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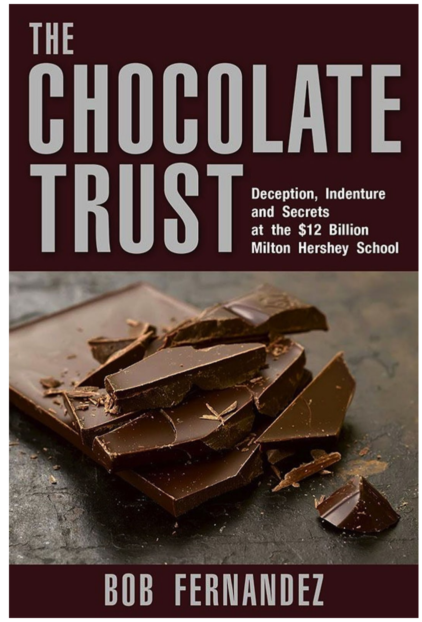

Introduction

Most Americans don't think of poor kids when they hear the name Hershey. Their first thought is of Hershey chocolate bars; some also may think of roller-coaster rides at HersheyPark, or the bucolic charm of dairy farms that dot the area around the town of Hershey in Central Pennsylvania. But those of an older generation do remember the school Milton Hershey began over a century ago for poor, white fatherless boys. [No additional space between paragraphs]

Milton Hershey, the founder of the massively successful Hershey Chocolate company, set up a trust in 1909 after he and his wife Kitty couldn't have children of their own. In a time of widespread poverty and limited social services, starting an orphanage was a generous act but not unprecedented.

What would be unprecedented was the scale of Hershey's generosity. In 1918, the widowed Hershey vastly expanded the terms of his charity, putting the entire assets of the Hershey company—along with the Hershey mansion, Cuban sugar plantation, thousands of acres of Pennsylvania farmland and the town of Hershey itself—into the huge and sophisticated legal trust “exclusively devoted” to his orphanage, that was to exist into perpetuity.

Milton Hershey did not foresee the results of this sweeping gesture. This book will show how, ironically, the prodigious amounts of cash generated by Hershey’s assets and put exclusively in service of a rural school for orphans created huge spending dilemmas—as well as temptations for those overseeing the trust, who found ways to persistently steer funds away from the intended beneficiaries, orphans and impoverished children. At the same time, his trust created an unusually intimate connection among Hershey’s for-profit enterprises, the state government, the local court and the charitable entity—one that over the years, led to many instances of overreaching, flawed oversight, and a decades-long history of bitter confrontations with reformers.

The nation’s Chocolate King lived for almost three more decades after setting up the trust, and his chocolate-funded orphanage would be one of the nation’s most celebrated charities of the first half of the 20th century—featured on the front page of the *New York Times* and in national magazines. When he died in a rural Pennsylvania hospital in 1945, governance of the complex organization passed to interlocking and self-perpetuating boards of businessmen and confidants, the so-called Trust. Handpicked successors heeded Milton Hershey’s dictates to nurture orphans with chocolate profits through the late 1940s and 1950s. But as the orphanage model for helping poor children declined throughout America, the Milton Hershey School struggled with shrinking enrollment, in the face of continuing huge profits funneled through the trust from the mass-appeal chocolate brand. In the early 1960s, a new generation of Trust leaders privately negotiated with state officials and the local court to divert tens of millions of dollars into a new giant medical center to train doctors and treat patients, establishing a pattern of deploying orphanage assets in ways that would benefit central Pennsylvania's economic development. The Trust's businessmen leaders believed—and state officials agreed—that there weren't enough orphans in America to help using Hershey's chocolate profits. The Trust later leveraged orphanage assets to build roller coasters in an ambitious expansion of the old Hershey amusement park, and would bail out the Trust-owned Hershey Entertainment & Resort Company when the company disastrously over-extended Hershey-branded hotels.

But the Trust couldn't abandon its original child-care mission altogether. In the early 1920s, the Internal Revenue Service had approved of Milton Hershey's charitable scheme to harness his businesses to his orphanage, allowing the businessman federal tax benefits. The Hershey name itself, in a brilliant marketing coup, was now synonymous with chocolate and orphans. The Trust gradually loosened restrictions on admission to the school so that by the mid-1970s any healthy, impoverished child of whatever race or gender in America was welcome to apply. The Trust also spent hundreds of millions of dollars on construction projects to modernize and upscale the campus. But student numbers fell so steadily that by 1999, enrollment was only two-thirds of the stated capacity of the early 1960s and about the same level as the late 1930s. Meanwhile, Hershey's medical center boomed with thousands of employees. Millions of tourists visited Hershey, the "Sweetest Place on Earth," with open wallets.

The town prospered.

I heard about this secretive, chocolate-funded charity as a business reporter for the *Philadelphia Inquirer.*

Where had the generations of chocolate profits to help orphans and poor children gone?
Where were the kids?

Who were the educational leaders?

Why hadn't I heard more about this multi-billion-dollar school for poor kids, right outside one of the most impoverished cities in America, Philadelphia?

One of my early stories in 2010 described the Trust's purchase with school funds of a luxury golf course for two or three times its appraised value from local executives, doctors and lawyers. The story asked whether orphans and poor kids needed a fourth golf course, particularly since the Hershey School didn't have a golf team.

I wrote of a three-million-dollar Trust settlement with former students who had been molested by a serial pedophile on campus, and an online pornography collector nabbed on campus. I detailed the soaring compensation on the Trust's complex of boards as state Republican power broker LeRoy Zimmerman presided over a vast charitable enterprise, with holdings including 10,000 acres of land, the Hershey Entertainment & Resort Company, control of the Hershey Company's chocolate manufacturing, and a multi-billion investment portfolio.

Representatives of the Trust called me vindictive and wrong. But poor mothers and concerned alumni lit up my phone. They told me stories of expelled children, attrition, harsh care, untrained houseparents, medicated kids, kid-on-kid sexual abuse and hiring favoritism.

Parents who had been dazzled by the Hershey School's promotional literature, the multi-billion-dollar endowment and the allure of the Hershey brand told me that when they called the Pennsylvania Office of Attorney General desperate for help, officials at the state's top law-enforcement agency told them to hire private attorneys. But they didn't have thousands of dollars to retain a private attorney. When they called other state agencies or elected state officials, they were told there was nothing those officials could do—it was a private school. During the months and years of researching and writing this book, scandals continued to emerge.

A Philadelphia advocacy lawyer sued the Hershey School in 2011 for rejecting for admission a teenage boy with HIV. The Trust fought her and the boy in the courts and on its website. A Justice Department investigation revealed that the institution had violated the Americans with Disabilities Act. The Trust settled in 2012 with the Justice Department and the boy, agreeing to pay him $700,000 and posting an apology on its website.

In June 2013, tragedy struck: an impoverished 13-year-old Hershey School student hanged herself in the second-floor bedroom of her home after being asked to leave the school. Abbie Bartels had come to the Hershey School as a kindergartner. She loved cats and listened to Selena Gomez. The

Hershey School banned her from her eighth-grade graduation and from the campus for depression and suicidal thoughts. Her mother Julie believed the child-care school quickly targeted Abbie as a liability and washed its hands of her. After the girl's suicide, the Trust paid for Abbie's funeral in the Trust-owned Hershey Cemetery, but alleged there had been nothing wrong with her treatment.

Some believed that Abbie's death, or one like it, was inevitable. Though unreported publicly, the school's own data showed that the institution that marketed itself as a nurturing haven for poor youth had treated many poor and vulnerable children roughly. Over a recent decade, far more poor kids dropped out or were kicked out for misbehavior than graduated—even though the institution had selected them for its lavishly funded program.

In May 2014, teen students at the Hershey School dialed 911 after finding a hidden digital camera in a dorm shower. Police investigated a Hershey School staffer. He had three loaded handguns in his campus apartment.

It didn't sound to me like Hershey was the "Sweetest Place on Earth" for these kids.

I felt that the full story of the broken promises to the public of Milton Hershey's Trust needed to be told. In the chapters that follow, I begin by looking more closely at Milton and Kitty Hershey, the charity's creation and evolution, American orphanages, and failed reforms at the Hershey School over the decades. I go on to cover the institution's current child-care failings and dangers. Later chapters tell the story of the Trust's flawed governance and oversight, including recent actions by the current Pennsylvania attorney general Kathleen Kane.

Finally, I explore the Trust-controlled Hershey Company's complacency in eradicating slave child labor or forced child labor in West Africa's cocoa industry, a major source of cocoa for Hershey's chocolate bars and Reese's peanut butter cups. This sad and still-developing story takes on ironic overtones in view of Milton Hershey's grand vision of using his profits to help poor children better themselves. In an epilogue, "Hershey's Shame," I suggest what lawmakers and regulators might do to help fix this deeply troubled, $12 billion institution and one of the world's richest philanthropies.