

2009 BUDGET MEMORANDUM
EDUCATION PROGRAM
November 17, 2008

OVERVIEW

In 2008, each of the Education Program's four components had considerable successes and multiple challenges. The Improving Educational Outcomes in California, Improving Achievement, and Opportunity components are discussed in this memo; the OER Initiative is described in a separate document.

Improving California's K-12 schools and community colleges requires major policy change in Sacramento to improve finance and governance. The particular challenge of our grantees' 2008 efforts: when the governor's proclaimed "Year of Education" was eclipsed by the state's \$17 billion budget shortfall for 2008-9. The governor proposed 10 percent across-the-board cuts, including education, but the final budget deal preserved education funding at essentially the same level as last year. However, a remaining \$7 billion structural deficit will be carried into the next fiscal year, and revenue estimates for 2010 project an even larger shortfall.

We are optimistic, however, about incremental progress in our work to improve education in the state. This year, the fledgling state data system produced the first valid estimates of California's high school dropout rate, and the education community strongly backed the McKinsey report on how this system might be used to support continuous improvement throughout the state. And, despite the budget challenges, there has been movement toward the goal of better aligning K-12 and postsecondary systems so that more students finish high school ready for college-level coursework. Education leaders, the governor, and business people have committed to join the American Diploma Project, aimed at aligning high school standards with measures of students' readiness for college-level work. This project, launched nationally by a Hewlett grant in 2002, is being adopted in thirty-three states.

Next year presents a critical window to build on these opportunities. State senate and assembly leaders have asked for assistance in developing a five-year plan to reach some ambitious goals for reducing the dropout rate. The new community college system chancellor collaborated with our grantees when he was a state senator, and we expect this relationship to deepen as he takes over the chancellorship. Though our progress has been measurable over the past few years, it is still far too slow to meet California's K-12 needs.

State policy work is very important, but without proven district- and school-level strategies to improve learning opportunities in classrooms, accomplishments in Sacramento will have little effect on school achievement. Yet advancing successful local strategies is complicated given that almost all traditional school-based interventions have had little or no impact. For example, smaller schools, minor changes in curriculum, after-school programs, and most professional development produce little improvement. A central reason for this is that schools have stable routines, customs, incentives, and powerful stakeholder groups that resist change. However, some types of interventions do generate substantial and sustainable gains in student achievement, and our Improving Achievement portfolio has focused on identifying, studying, and spreading the word about these particular interventions.

Theory and observation suggest that to significantly improve achievement, we need intensive efforts that substantially change traditional school routines and that directly affect students' instructional opportunities. In the past few years, we have focused on four such promising reform interventions: district-based intensive instructional reform, adaptive instruction (which supports teachers as they personalize instruction for students who need extra help), substantially extended learning time in the school day, and aggressive early language development for low-income children in grades K-3. Progress on each of these strategies was substantial during 2008. For example, district instructional work in East Palo Alto, supported by the Education Program and Serving Bay Area Communities funds, resulted in the district meeting state-set goals for improvement on the state index, a singular achievement for East Palo Alto.

As this work has progressed, we find that the underlying rationales and strategies of three of the reforms are being adopted by schools, districts, and states across the country and by other parts of the Education Program. The adaptive instruction and extended learning time interventions, for example, are proposed in various plans for California reform, and adaptive instruction serves as a cornerstone strategy for newly developed OER instructional software.

Much of the basic work in the Improving Achievement component of the Program has been completed, and other foundations and the federal government have begun to fund three of the four interventions. Therefore, we propose to reduce the budget for the Improving Achievement component. This will allow an overall reduction in the 2009 Program budget while providing greater resources for the California policy component at this critical time.

COMPONENT: Improving Educational Outcomes in California

In 2008, our California component pursued a rigorous strategy refinement to complete the integration of the K-12 and community college portfolios. We looked at the lessons learned from the last five years of grantmaking, California's policy landscape, the successes (or failures) of different grants, and assumptions about policy-change grantmaking.

The result is a single, coordinated strategy for our California education work, showing how we expect that complementary investments in K-12 and community colleges will lead to improvements in student outcomes. We also developed logic models for each intermediate goal within the strategy to further articulate the theory of change. While we continue to have a program officer with primary responsibility for K-12 and another for community colleges, they will closely coordinate their grantmaking efforts going forward.

One key finding of our strategy review is that this is the right moment to focus and intensify our grantmaking on a set of achievable intermediate goals that promise to have the most impact within the next three to five years. These intermediate goals, described in the 2009 section below, fall into three focus areas. The first two, education finance and data systems, build upon our past investments to seed reform efforts. The third focus area, college readiness, emerges from existing community college work on developmental education and K-12 work on dropout prevention. Each of the three areas affects both the K-12 system and the California community colleges (CCC). Another finding of our strategy review is the need to prioritize advocacy and

communications work (excluding lobbying activities prohibited by IRS regulations) in order to translate research into new education policy and practice. Building the sense of urgency therefore will have greater emphasis in our investments going forward. Elevating this priority in our integrated strategy will demand eliminating some earlier goals.

Even with an increased budget for the California component, our integrated strategy will demand eliminating some earlier goals. In particular, efforts to improve college instruction and change teacher policy will be scaled back significantly; we will invest in these only when linked to reforms in the three focus areas. In addition, while our past investments in research helped clarify key problems and build consensus for solutions, intensifying support for advocacy efforts means reducing the role of research in the portfolio. The vast majority of the 2009 grant budget for California education will be project support to achieve specific goals within the three focus areas; however, we will also make less-targeted, core operating support grants to sustain essential organizations (such as media organizations and think tanks) that create an environment for effective education policymaking.

The long-term goal of the California education portfolio is *to significantly improve educational outcomes for students in California so that they can achieve their goals and contribute to their families, their communities, and California's economy*. This goal is ambitious in the face of discouraging data. According to the Public Policy Institute of California, if current trends are unabated, the state will have 3 million fewer college-educated workers than needed by the year 2025, and twice as many high school dropouts as the state will be able to employ. Too few students are finishing high school with the skills to compete for great jobs or to succeed in postsecondary education, and too few attending higher education are successfully earning credentials.

If successful, our California education strategy will help turn around these low levels of high school graduation and college attainment. In particular, we aim to achieve the following ultimate outcomes by 2019:

- Increase the four-year high school graduation rate from 68 percent to 90 percent.
- Increase high school students' college readiness, as measured by the Early Assessment Program test, from 17 percent to 50 percent in English, and from 13 percent to 50 percent in math.
- Increase the success rate of underprepared community college students in the developmental (remedial) sequence from 11 percent to 50 percent in math, and from 24 percent to 50 percent in English.
- Increase the community college completion rate (for degrees, certificates, and transfer to four-year universities) from 24 percent to 35 percent.

In the sections below, we report 2008 progress in the K-12 and community college areas separately; our plans for 2009 represent the new integrated portfolio.

Progress in 2008: Strengthening California K-12 Schools

Because of the state's \$17 billion budget deficit this year, K-12 education reformers scaled back their ambitious agenda for Governor Schwarzenegger's promised "Year of Education," as did the

governor. Instead, advocates focused on limiting the severe, proposed funding cuts for schools in the state budget and on advancing development of the state's education data infrastructure. Their hard work paid off, as the final budget deal maintained current funding for education and even included \$24 million in new funding for education data systems—a major accomplishment in this bad budget year.

California's budget deficit also derailed efforts to achieve a significant redesign of the state's school finance system this year. But there were some glimmers of hope for the future. For example, the Governor's Committee on Education Excellence called for a substantial redesign of the state K-12 finance system, and the secretary of education held public forums to discuss these recommendations. A few finance reform bills were introduced, including ones to consolidate "categorical" funding streams that earmark dollars for specific programs and limit administrators' flexibility. But these measures saw little action. Consequently, using funding from the Hewlett Foundation and others, our grantees began planning a sustained campaign to achieve comprehensive K-12 finance reform by 2012.

There was solid progress this year in designing and building the state's K-12 data infrastructure despite the state's budget problems. We supported a successful McKinsey & Company project to develop a roadmap for creating a robust longitudinal student and teacher data system for California. Even before the release of McKinsey's final report this fall, one bill aligned with its recommendations has already been enacted to ensure that longitudinal data can track students' progress from preschool all the way through higher education.

Our new goal of improving college readiness gained momentum this year with developments in K-12 education policy. A newly enacted bill provides an incentive for reducing high school dropout rates by incorporating them into the state's formula for calculating schools' annual academic performance. Additionally, the State Board of Education decided this summer to require all eighth graders to demonstrate proficiency in Algebra I, a key gateway course for college, by 2011. This decision was controversial because many schools are unprepared to teach Algebra I to all eighth graders. Although it was not an original part of our strategy, the decision nevertheless could spur improvements in algebra instruction. Lastly, we are optimistic about the interest of incoming policy leaders, who have requested technical assistance from the Foundation to develop a five-year plan for reducing high school dropout rates. That plan will likely promote some of our goals in all three focus areas—finance, data, and college readiness.

Progress in 2008: Strengthening California Community Colleges

Community college advocates successfully fended off proposed budget cuts, but the state budget crisis stymied efforts to change finance policy. Nevertheless, 2008 saw significant improvements in the areas of college readiness and data systems with the enactment of two new programs developed or supported by our grantees.

Right now, California is in the bottom quintile in the percentage of high school students enrolling directly in college. That low rate contributes to the strong need for developmental education in college. The Early Commitment to College program aims to improve California's college-going and college readiness rates by engaging low-income sixth graders in learning about higher

education. With this awareness, they can take the right courses and know about their financial aid options. Secondly, expanding California State University's Early Assessment Program (EAP) to community colleges is also a step toward improving students' college preparedness. EAP uses an eleventh-grade standards test to give students information on their proficiency in college-level math and English. The new program will help students use their senior year to prepare for college and avoid the need for remedial courses. The governor vetoed a plan for a new "report card" on the performance of the state's higher education systems, which would have helped the public and policymakers evaluate how well California is preparing students for college, enrolling them, and ensuring they complete credentials.

Stronger leadership—among advocates, policymakers, and community college practitioners—will be essential to ensure that colleges place a high priority on student success (without diminishing access). The incoming chancellor of the community college system—Senator Jack Scott (D-Altadena), author of the three bills mentioned above—is expected to play an instrumental role in this change. Sen. Scott's stated commitment to student success position him well to elevate the community colleges' profile in the legislature as well as to shepherd needed changes through the consensus-based college governance system. Leadership is also emerging from outside the realm of colleges and education advocates. In one example, California Forward (a Special Projects grantee focused on reforming the state's governance system and co-chaired by Leon Panetta) decided to make community college access and success the focus of its first case study on fiscal reform.

Also in 2008, our largest investment to date—Carnegie's eleven-college developmental education project—came to a close. The fruits of this investment rest largely within the state-funded Basic Skills Initiative (BSI), which includes support for colleges to implement effective practices. Under the BSI, each of the 110 community colleges has developed a plan to improve outcomes for underprepared students. It also includes a new professional development effort modeled partially after the Carnegie project.

Plans for 2009: K-12 and California Community Colleges

Redesign Education Finance Systems

The long-term strategy for finance reform links new funding (\$6 to \$12 billion) with changes to funding formulas that ensure that the money is better used. Although we don't expect significant new resources for schools or colleges to become available until the economy improves, there is much work to do now to ensure that the state is positioned to take action when economic winds shift. Even as grantees continue to guard against budget cuts threatened for future years, they will pursue the following short-term goals:

- Consolidate some of California's 100+ different funding programs. Eliminating these programs will give principals and superintendents more flexibility to achieve their goals and shift the emphasis from inputs to student outcomes—flexibility that may be especially valuable in lean budget times.
- Launch a longer-term (three- to four-year) advocacy campaign to redesign the state's school finance system and win substantial increases in K-12 funding. This campaign

must keep the drumbeat going for finance reform during this bad budget climate and be prepared to press for significant changes once it improves.

The financing of community colleges—which are traditionally funded based on enrollment, not completion—must also change significantly. The intermediate goal is to improve funding mechanisms so that they prioritize completion but avoid the failures of earlier performance-based funding schemes. However, the field of community college grantmaking is young. Opinion leaders are just beginning to appreciate the colleges' role in educating large numbers of Californians, and college leaders are just becoming aware of new recommendations to change their finance system. Therefore, a key goal in the short term will continue to be shifting the priority of policymakers and college leaders from accessibility alone to accessibility *and* student success.

A primary strategy of grantees will be advocacy work that links the goal of improving outcomes for community college students to California's future prosperity. This work will build upon research recommendations—such as reducing categorical programs—that parallel those for K-12 finance reform. Given that the K-12 and community college systems are funded through the same mechanism (Proposition 98), movement toward K-12 finance reform should also elevate attention to community college finance.

Improve Data Quality and Use

California needs an education data system that can follow students from preschool through college, which will promote continuous improvement in the education system and transparency about student success. California is currently behind other states in this area. A comprehensive data system enables states such as Florida to analyze students' movement through the educational system, from preschool through graduate school. The ability to track measures such as course-taking patterns, graduation rates, and college-going rates contributes to sound state-level policy decisions, supports high-quality research, and helps practitioners improve teaching and learning.

Better reporting of data and outcomes concerning underprepared students is a top priority for community colleges in 2009. Clear metrics for monitoring student progress and tools to support longitudinal analyses are needed so that college leaders can turn data into information that helps them improve their programs and services. In 2009, we will work toward implementing tools that can answer questions about students' progress through remedial courses. In addition, now that 108 of the 110 community colleges and 65 percent of the state's high schools have joined the Cal-PASS data-sharing consortium, our goal is to deepen the use of data across colleges and K-12 schools to support our goal of better college readiness.

Increase College Readiness

We will increase our focus on students' academic readiness for college in 2009. Preparation in high school is highly related to college completion, and it is a natural area of overlap and synergy between our K-12 and community college work. Simply graduating more students is not enough;

students must graduate ready for success in college or a career. Too many students who earn high school diplomas remain unprepared for college-level work. Priorities in this area include:

- Support for improvements in placement test policies to improve signals sent to high school students and ensure a valid and streamlined system of placing students into remedial or freshman-level coursework.
- Continued support for redesigning instruction for underprepared students, such as through replications of the Digital Bridge Academy

At both the K-12 and community college levels, mathematics is the most problematic subject and is highly related to student success. Beginning in 2009, we will place new emphasis on mathematics course-taking and achievement. We will selectively support advocacy, research, and scalable local efforts designed to ensure that students can succeed in Algebra I and move on to higher-level mathematics. This work will draw on the research and strategies developed in the Improving Achievement component over the past five years.

COMPONENT: Improving Achievement

Most interventions in schools have weak, unsustainable effects on student achievement. The Improving Achievement component explores interventions that are designed to have robust, powerful outcomes, particularly for low-income students. Its work is to identify promising interventions through theory or research and then carry out research, design, development, evaluation, and dissemination to validate and implement them. Currently, we are working on four promising types of intervention: district-led instructional reform, adaptive instruction (formative assessment), extended learning time, and early language development (a new approach in 2008). Technology plays a key role in three of the four reforms.

Progress in 2008

Advance District-Led Instructional Reform

In 2008, the Program concluded a set of grants for instructional reform in East Palo Alto schools. This grant is augmented with funds from the Bay Area Communities program and will support three more years of reform led by the New Teacher Center (NTC). During this period, the NTC will gradually transfer reform leadership to the East Palo Alto district. We already see clear progress attributable to the reforms. For example, in 2008, the East Palo Alto district met the state's targets on the state achievement index.

This will be the last of the district-led reform efforts supported by the Foundation. Spurred by a loose coalition of foundations (Hewlett, Gates, and Carnegie), the general strategy of comprehensive instructional improvement has dominated large district reform efforts during the past seven years. Over time, evaluations of this work have pointed to a variety of promising strategies for district reform. Although large districts around the nation have successfully profited from many of these lessons, the complexity of district administrative problems and other issues have often made the reforms very difficult to implement effectively.

Promote Adaptive Instruction

One promising instructional approach used in many of the most recent district reforms stemmed from research carried out in the United Kingdom during the 1990s and by the Hewlett Foundation over the past six years. This approach, called adaptive instruction (or formative assessment), trains teachers to adapt their instruction to the needs of specific students. Almost all large districts are now saying they use, or intend to use, adaptive instruction as a strategy for improving instruction, but they need help to implement it well. In this docket, we propose a final grant in this area to the Center for Continuous Instructional Improvement (CCII). This will enable the Center to continue applied research and dissemination over the next two to three years to better refine our understanding of adaptive instruction and to support its effective implementation by states, districts, and networks of schools. Today CCII's work is primarily supported by Hewlett and the National Science Foundation. The Center will look for other funding as well.

Extend Learning Time

Early evaluations of the Massachusetts demonstration projects and the Foundation's study of the KIPP Academies both show significant gains in student achievement that are attributable to extended learning time. The idea here is straightforward: students from low-income families who start school behind their peers from middle-income families need extra classroom time to catch up. In 2008, we supported Massachusetts 2020, an NGO that carries out the evaluation of the Massachusetts demonstrations, conducts research, and supports schools and districts that want to implement an extended learning time intervention. A number of state legislatures and governors show strong interest in implementing this intervention and will need the help that Massachusetts 2020 can provide. In addition, at the federal level, legislation for national demonstration projects that extend learning time has been introduced in both the House and the Senate.

Improve Early Language Development

Substantial and growing evidence indicates that the "achievement gap" between children from low-income families and children from middle-income families is largely attributable to massive differences in language development between the two groups. These differences appear when children are as young as three or four years old. One measure of the difference is size of oral vocabulary: middle-income five-year-olds have a two- to threefold larger vocabulary than five-year-olds from low-income families. These differences in vocabulary size are directly attributable to differences in children's experiences and persist over the early school years. By the fourth grade, when children are expected to write paragraphs and stories and to grapple with understanding history, science, and word problems in mathematics, the school achievement gaps become very evident.

In 2008, we made four grants that focus on better defining this gap in language development and figuring out how to overcome it through changes in curricula, instruction, and experiences of low-income children in grades K-3. This problem has attracted attention, but not yet action, throughout the nation. Currently Hewlett is the only foundation making grants in this area.

Plans for 2009

We will not fund any new grants in 2009.

COMPONENT: Opportunity

The strategic goal of the Opportunity component is to support particularly promising education efforts that reside outside the Education Program's priorities.

Progress in 2008. Together with the Performing Arts Program, we supported the emerging Arts Education initiative in 2008. We also made grants to three organizations for strong, evidence-based work in federal education policy.

Plans for 2009. We expect to continue support for the Arts Education initiative.

COMPONENT: Serving Bay Area Communities

Progress in 2008. During 2008, Serving Bay Area Communities provided strong support for East Palo Alto school reform.

Plans for 2009. We plan to continue work in East Palo Alto and to work in other parts of the Bay Area on projects to support students learning algebra.