The Goal

Oregon intends to become one of the best-educated citizenries in the world. The Oregon Legislature has set an ambitious goal to ensure that by 2025:

- 40 percent of adult Oregonians have earned a bachelor’s degree or higher;
- 40 percent of adult Oregonians have earned an associate’s degree or postsecondary credential as their highest level of educational attainment; and
- 20 percent of all adult Oregonians have earned at least a high school diploma, an extended or modified high school diploma, or the equivalent of a high school diploma as their highest level of educational attainment.¹

To shrink from the challenge is to accept that Oregonians will continue to earn less and strive harder than their fellow citizens. The state will need substantially improved student success rates and performance at all levels. These changes will require a thoroughgoing system transformation that throws the spotlight on student success and progress from earliest learning to entry into workforce and career.

Governor Kitzhaber and the Legislature have set in motion that transformation by creating the Oregon Education Investment Board (OEIB) and charging it to ensure that educational dollars get to where they do the most good for student success.

This paper is the first draft of a strategy to provide guidance to the OEIB on what it will take to achieve the goal. It summarizes where we are today and how much of a stretch it will be to reach the goal. More importantly, it identifies 10 critical elements that are foundational to the strategy and proposes a framework and discipline for making decisions about allocating educational resources to ensure they are producing real results.
Where We Stand

Right now, Oregonians as a whole are not sufficiently well educated for the challenges at hand. About 10 percent of working-age adults have not completed high school, 42 percent have only a high school diploma, 18 percent have completed an associate’s degree or postsecondary certificate, and 30 percent have a bachelor’s degree or more.

An examination of key points along the education pipeline shows Oregon has considerable room to improve. On-time high school graduation rates are at the U.S. average but stand at only 75 percent. Less than half of Oregon’s high school graduates enroll in college. And of those who do enroll in college, too few earn a degree (especially in community colleges). Students of color and English language learners are even less likely to succeed. Based on 2009-10 four-year cohort graduation rates, only about half of African American, Hispanic, and limited-English-proficient students graduate on time.

Educational attainment in Oregon is also a result of people moving in and out of the state. In recent years, Oregon has benefited from in-migration of people with relatively high levels of education. This trend is expected to continue.

Projecting current rates of enrollment and degree completion into the future, and holding all else equal, attainment rates will likely remain relatively flat between now and 2025. In short, native Oregonians with lower incomes and more educational needs than earlier generations could put downward pressure on attainment rates and offset the gains expected through the arrival of educated in-migrants.

So, absent a significant change in policy and investment, Oregon is headed for 30/18/42 (and 10 percent dropouts) rather than 40/40/20.
What It Will Take

The bill appears to set the bar very high: by 2025 every adult Oregonians should already hold degrees, certificates, and diplomas in the proportions stated. A rigid interpretation would imply a massive effort in adult education. Older adults, at the ends of their working careers, would be pressed into retraining regardless of individual or societal benefits. The state would steer newly arrived Oregonians into education if their attainment fell short. And meanwhile, no young person growing up in the state could fall short of completing a high school level program. The effort would be without precedent and so large that it would deflect us from productive improvements needed in the unified 0-20 system.

This strategy paper is organized around a more modest, but substantially ambitious, goal of ensuring that the educational system is graduating young adults at the stated levels by 2025. Achieving this goal will tax the will and capacity of our education systems. It will require the kind of commitment and investment that Oregon made in the 1950s and 1960s, when it dramatically increased higher education output and developed the community college system. And while strengthening the pipeline for young learners, Oregon must expand adult education initiatives that are closely tied to economic development and workforce needs, but not at the expense of overall system improvement.

If by 2025 the state can tell the nation and the world that at least 40 percent of the emergent adult population has a university education, another 40 percent has a degree or credential that links to good jobs, and all have earned a meaningful high school diploma, Oregon will have done everything a state can do on the supply side of economic and social development.

Some areas will require more work than others. Delivering 40 percent of young adults with a bachelor’s degree or better is less challenging than doubling the share who have associate’s degrees or credentials or completely eliminating high school dropouts. Specifically, to reach 40/40/20 by 2025,

- High school graduation rates need to improve by about 0.6 percent each year (8 percent more diplomas over 14 years). Oregon’s primary and secondary schools will have to gradually drive graduation rates to 100 percent at the same time they are increasing the rigor of a high school diploma. A 0.6 percent improvement rate appears modest. High school graduation rates are a relatively new and still-muddled statistic. Depending on the method used, on-time graduation rates fell between 66 and 75 percent in
2009. And yet, self-reported Census figures suggest 87 percent percent of young adults eventually earn a diploma or the equivalent. In developing the required rate, we’ve taken Census respondents at their word and assumed that although many don’t cross the stage on time, they find a way to earn high school graduation status. Achieving 100 percent on-time graduation from high school would require a much higher annual growth rate.

Middle and high schools will have to be more rigorous about predicting the likelihood of dropping out on a student-by-student basis and understanding which conditions—inside and outside the school—raise the odds of graduation. Once students graduate, many more of them need to enroll in college. By one estimate, Oregon ranks 47th in the share of high school graduates who head to college. Boosting enrollment is a multi-faceted challenge that requires setting tuition within reach of all high school graduates and persuading a much larger share of learners that a postsecondary degree brings returns in the job market.

Perhaps more importantly, college retention rates must improve. The work of the Postsecondary Quality Education Commission (PSQEC) indicates the first and most important step to boost overall degree production is retention and completion of those who do start college. This strategy outlines the path toward 40/40/20 but does not detail specific tactics and programs such as provided by PSQEC.

- **Certificate attainment rates need to improve by about 6 percent each year (129 percent more diplomas over 14 years).** Meaningful credentials and certificates with ties to middle-skill jobs must be part of the solution. Current data do not supply a reliable count of Oregonians with certificates or credentials. Community colleges report that they are awarding about 5,000 certificates per year, but some of those go to learners who have associate’s or bachelor’s degrees, and some people earn more than one certificate. The Census does not track certificates, and the one survey in Oregon that asked about certificates was discontinued in 2008. Not only do we not know how many people have certificates today, we also don’t know how many certificates are issued by entities other than community colleges, or which flavors of certificates would or should count toward the 40/40/20 goal. The state must develop a way to define and track credential and certificate completion.

- **Associate’s degree attainment rates need to improve by about 3 percent each year (57 percent more diplomas over 14 years).** Community college graduation rates must rise significantly. Nationally and in Oregon, a little more than a quarter of associate’s degree-seeking students
earn a degree within three years. While statistics are debated at this level, few argue with the fact that far too many students are enrolled with no clear educational goal in mind.

- **Bachelor's degree attainment rates need to improve by about 2 percent each year (29 percent more diplomas over 14 years).** Universities are roughly on track to meet the goal but face several enormous challenges: classroom and human capital to keep up with growing enrollment demand, staying affordable as state funding shrinks, and serving the rapidly growing population of students from low-income and minority families and families with no college-going experience. Improving throughput would decrease costs to students and the state and make better use of existing investments in facilities. On the positive side, success at lower levels of education will greatly help with the preparation of those entering university.

Overall, the state needs both more educational capacity and better performance of the capacity it has. This strategy focuses more on the latter, believing that Oregonians will invest in more capacity based on satisfaction that investments are as effective and efficient as possible.
Elements of the Strategy

Most states - and for the past decade the nation as a whole - have tried and failed to get substantially better education results by defining the challenge as a performance problem. Strategies have focused on tougher standards and specific consequences for inadequate yearly progress; today there are calls for stronger principals to push teachers to be more effective. Simply put, the results have fallen short. Testing, largely for school accountability purposes, has consumed enormous amounts of time and money. Teachers, feeling indicted over inadequate progress, report they feel demoralized and, where represented by unions, they are fighting back.

While supporting high standards, Oregon is choosing a different approach: Performance will never rise enough unless and until the circumstances under which learners experience school are designed to arouse their motivation; until funding follows priorities and rewards results; and until teachers have an environment in which they are supported to do what they do best, to try what they believe will work, and to have both the authority and the accountability for getting better results. For performance to be better, the system must energize and support motivation and talent among teachers and students. It must overcome barriers of low expectations, fear of costs, and uncertainty about the value and route to higher education for many citizens who could benefit the most.

Oregon’s strategy will be energized by a new system of outcomes-driven investing. Funding will stimulate actions that deliver the most desirable returns. Those returns will be measured in terms of proficiency, rather than the conventional metrics such as the number of days in school.

This process will not repeat the historic pattern of confining itself to a set of ambitious goals, loaded with messages of urgency, without spelling out a path for getting to results. Change will be dynamically driven by the investing regime and by freeing up the capacity for innovation already present in most educational institutions, but investing alone cannot deliver the change. The Governor and the Legislature will need to make whatever changes in the policy and regulatory landscape are necessary to invite Oregon’s educators and students to realize the goals of this plan.

Here are the elements of Oregon’s strategy:

1. Outcomes-driven investment
2. Seamless, learner-centered system
There are many valuable efforts now underway that fit comfortably within these overall elements of the strategy. Just because they are not called out here does not diminish their value. But the strategy does propose to be very disciplined in sorting out what works and finding ways to scale up what works.

1. Outcomes-Driven Investment
The strategy’s beating heart is a statewide conversion of resource allocation practices to an investment model that pivots on desired outcomes and evidence of results. It is a simple if radically different theory of action: that the state will measure what it values and get more of what it pays for. The Governor will present an outcomes-based budget to the Legislature in the 2013 session.

The final section of this paper provides context for the paradigm shift and describes three potential funding streams: a base level of funding that will be reasonably well assured to providers and will grow modestly, a faster-growing stream designed to inspire and reward outcomes growth, and a top level of funding aimed at select strategic initiatives.

2. Seamless, Learner-Centered System
From the perspective of the participating learner, the system should seem like one system, not a barely coherent collection of schools, learning centers, colleges, and universities. This does not mean that contemporary organizational frameworks are necessarily outdated and expendable; that would be the case only if they cannot or will not deliver a relatively seamless experience for learners. For learners to move farther and faster toward their potential, the continuum needs to feature unity and consistency across standards, data, and budgets.

This does not imply, however, consolidation, centralization, or singular governance of educational organizations. To the contrary, along with accountability for outcomes, educational organizations will have increased freedom in how to produce those outcomes.

A new set of threshold achievement goals for Oregon should apply to all learners, from toddlers to twenty-somethings getting graduate degrees. Those goals should
spell out what is necessary to prepare the state’s population to prosper in a more complex, less certain economy, but also to nurture a civil society and sustain the state’s enviable quality of life. Curriculum, assessments, and exit and entry placement criteria should be built into learning from the beginning and aligned so that learners advance efficiently and without artificial institutional barriers.

The longitudinal data system should use integrated, customized, and aligned data to track the educational progress of learners and the operational performance of institutions. Students, teachers, institutions, and policymakers need access to these data to inform decisions about education pathways, curriculum, policy design, and resource allocation.

And a unified, 0-20 budget and funding distribution system must be learner centered, transparent, comprehensive, and accountable. As far as possible, the budget should allow funding to follow student progress and allocations to be redirected across learner groups. As a proposition, this all sounds fair, even simple, but in its implementation it confronts nearly every conventional practice with which education systems have become familiar if not comfortable.

Oregon is moving in the right direction. Senate Bill 909 establishes the OEIB to oversee all levels of state education, improve coordination between educators, and more efficiently make and fund goals. A budget design team has developed suggestions for the state to consider, and there is much support for a robust data system that benefits the whole system. The Unified Education Enterprise of the Board of Education and the Oregon University System oversees initiatives such as making it more seamless for students to transition into education beyond high school. And the Oregon Career Information System is an effective tool that lays out the steps for a learner to move from education to career. The challenge is scaling these efforts up to level necessary for statewide implementation.

3. Proficiency
A new system of teaching and learning is gradually emerging in classrooms across the state. In a limited but expanding number of Oregon schools, demonstrated proficiency on standards of consequence drives student progress. This essential field work illustrates that effective standards-based teaching and learning requires a number of changes to current policy and system design, and that successful redesign and implementation will require work in three key areas.

First, the use of time must shift from a controlling element to a flexible variable, allowing students adequate opportunity to learn at their own best rates and allowing teachers the necessary opportunities for continuous collaboration and improvement of their practices.
Second, the preparation of teachers and principals and their in-service professional development must be retooled to reflect the deeper requirements for expertise in instruction, assessment, and leadership. Classroom-embedded professional development of teachers, using highly skilled coaches, allows teachers to broaden and deepen their instructional and assessment skills in meeting the learning needs of each student in achieving his or her individual education plan. And principals will be able to focus on their roles as instructional leaders for their schools and provide expert coaching.

Finally, at least two levels of assessments must be developed: at the local level, formative assessments will be needed to help teachers determine with great frequency and accuracy where individual students are in their learning and to guide them to effectively target instruction. The skillful and frequent use of formative assessments guides instruction. Districts may form consortia to develop and share teaching rubrics, assessment models, moderation of assessments, etc. At the state level, standardized state-level tests will remain useful for accountability purposes, but they are overused today. Their rigor can be increased to reflect college and career readiness.

4. Early Start

Decades of research widely confirm that some of the best returns on investment at any level of learning come early. Less than nine percent of all public investments in education focus on the early years, when young brains are in early critical development and readiness to learn is optimal. Oregon does have a system, of sorts, directed at early childhood learning and development, but it is hardly a coherent strategy. Almost $400 million is spend every year, but little if any tracking of results follows. The system is neither integrated nor accountable.

Of the 45,000 children born in the state each year, it’s estimated that up to 40 percent of them carry significant risk factors ranging from family poverty and instability to abuse and negative peer pressures. The state is highly unlikely to raise achievement ratios to the 40/40/20 levels without more systematic investment in and monitoring of this group of early learners. Using an outcomes- and data-driven approach, the state can position itself to know where to invest for the largest, most enduring returns. And, by focusing on learners rather than institutions, the state can also help to make learning continuous, smoothing out what today is an abrupt, even awkward transition for learners moving from prekindergarten to kindergarten and beyond.

To make progress, the state needs to advance on three fronts. First, the state should develop and invest in core infrastructure: standard assessments to measure kindergarten readiness and first-grade reading, professional development for the
early childhood workforce, and a longitudinal, learner-level database that tracks the learner experience and outcomes from birth and into primary education.

Second, with the new infrastructure in place, a significantly enhanced accountability system should focus the system on kindergarten readiness and first-grade reading.

Third, the state should coordinate service delivery. That could involve using family support managers as service brokers, organizing services through elementary school attendance boundaries, and connecting the system with human services and healthcare providers. (See Element 10 for more detail.)

5. Motivation and College-Going Culture

Oregon, like any state, can enact whatever new regime for educational achievement it elects, and beat the drums loudly, and expect results. But learners, individually and collectively, hold a permanent power of veto over reforms. With the present and emergent generation of learners in particular, if they want to learn something, they cannot be stopped, and if they do not, they cannot be forced. Every facet of the 40/40/20 endeavor, every existing and new public policy, and every proposed program must be passed through the filter of whether it taps the intrinsic motivation of learners.

All available research shows a declining curve of motivation for a majority of learners as they navigate the current system. Why not then pass the baton of basic responsibility for learning to learners themselves, asking them to take a larger ownership in their own progress? Most of them today know how to find any information they need – faster than their elders. What they need from school is the framework that sorts this information into interpretative judgments and builds information from data, knowledge from information and, ultimately, wisdom from knowledge. Apprenticeships and other work outside the classroom could also contribute to increased learner responsibility.

Many of the new generation of students come from families with no college-going experience. Creating a college-going culture or expectation for young students and their families, including information and certainty about affordability, pathways, and payoffs, is a powerful part of tapping motivation.

Oregon must work on this element on all fronts. First, the state should work toward a wider definition of what achievement means, getting beyond the minimal standards on reading and math. Those are gateway skills, to be sure. But Oregon should reach beyond the gate to see the wider path to a range of knowledge and skills that line up with differentiated interests and aptitudes of learners. Genuine progress here would go a long way toward remedying a largely unreported problem with chronic absenteeism. Second, the state must be more strategic in instilling a
college-going culture. If we expect 80 percent of young adults to move beyond the high school diploma, the postsecondary conversation will have to start early. Savings accounts issued at birth, college pennants in elementary schools, need-based aid agreements that start in middle school, targeted financial aid counseling, and pervasive exposure to college coursework in secondary schools should all play roles in the strategy.

6. Innovation in Learning

Much of current educational practice rests on the assumption that all learners are alike enough that a standardized learning model, with all its built-in familiarity and efficiency, is the best model. This is doubtful, and may help to explain why 30 to 40 percent of learners do not succeed. Some learners, whose type of intelligence or learning style is at odds with the predominant learning strategies of the traditional system, predictably fall behind and often drop out. Others find a disconnect between this predominant model and the real world that fascinates them, thus losing motivation and interest.

Oregon could define innovation in learning as an openness to trying different approaches, learning from what does not work, and rewarding with resources what brings better returns. The digital platform now makes it possible for the current generation of learners, and doubtless the ones to follow, to learn nearly everything that interests them. A review of the latest generation of online learning shows that it is increasingly adaptive to individual learning styles and paces, robust in its appeal to learners, comprehensive in its scope, and already there—there is no need to invent (at great cost) these offerings district by district or college by college.

Innovation extends well beyond a better use of technology. Education providers in Oregon and elsewhere are testing a wide range of interventions worthy of investigation and—if proven—replication. Small schools appear to have re-established the personal connection between adults and learners, reduced dropout rates, and boosted achievement. A number of districts have strengthened the delivery and rigor of extended learning time for struggling students. Highly targeted programs (e.g., positive behavioral interventions and supports) show great potential with specific populations.

For education beyond high school, there is a flowering of new models for delivering learning and for total course redesign that make better use of talented teachers and technology to achieve more learning at less cost. But to take off, these “blooms” need nurturing and funding.

Across the continuum, Oregon needs to learn more about what works and do more of it. We have spent much of the last two decades measuring but have only begun to tap the potential of all the data. Oregon must commit to the kind of continuous
improvement that was promised by the Quality Education Model but that never fully matured.

7. Teacher Effectiveness

A broad consensus exists across policymakers, academics, and the general public that the key to lasting educational improvement starts with putting excellent teachers in every classroom. The difference between having a good teacher or an ineffective teacher equates to one grade level’s worth of achievement gains. Improving teaching quality is among the most cost-effective ways to improve student outcomes.

While some of this rests on creating the right classroom conditions for teachers, much of it has to do with training, treating, and trusting teachers as professionals. On neither score have we have done well for current teachers. Improving teacher effectiveness calls for higher standards, better preparation and mentoring, and more authority and accountability in the classroom.

Almost a quarter of Oregon K12 teachers are over age 55 and half are over 45. How Oregon prepares, recruits, compensates, trains, evaluates, and develops the coming generation of new teachers will shape the quality of education for the next several decades.

As environments for learning and the roles of educators evolve, teacher preparation needs a commensurate updating. Currently, the number of licensed teachers exceeds job openings, and colleges of education in the state could make entry into programs more selective, even as future demand will rise as a large wave of teachers from the Baby Boomer generation retire.

As graduates move into the profession, teacher induction must be more supportive and rigorous. New teachers need mentoring and relevant professional development. Throughout their careers, and especially at the outset, they need meaningful, differentiated performance evaluations that help them improve their teaching year after year. And, finally, they’ll want expanded career paths with a professional compensation system that ties pay to new responsibilities.

Finally, teacher evaluation requires significant state investment. Oregon needs fair evaluation models backed up by quality professional development opportunities for teachers. Oregon’s CLASS (Creative Leadership Achieves Student Success) Project is doing innovative work around four components linked to effective teaching: expanded career paths, effective performance evaluations, relevant professional development, and new compensation models.
Put simply, Oregon has a once-in-a-generation opportunity to get the right people interested in the profession and turn them into effective instructors.

8. Mainstream Middle Skills

In a nation where jobs are a dominant topic every day in newspapers and all over the electronic media, surprisingly little information focuses on the wide range of good jobs for which there is continuing demand, likely for decades to come. Jobs such as welders, electricians, dental hygienists, imaging technologists, paralegals, and law enforcement workers – the list goes on and on. These pay a significant premium over jobs available to workers limited to a high school level education. In fact, 27 percent of these jobs pay better than the average pay a holder of a B.A. degree earns.

There must be an information gap behind some of this mismatch. Surely if more young people were aware that getting from one to two years of postsecondary training qualified them for these occupations, enrollment demand would rise. Today, nationally, about 70 percent of learners who complete high school do go to college within two years, but only 40 percent of that group end up with either an associate’s or bachelor’s degree by their mid-twenties. Many learners not headed down the traditional road to a 4-year college or university have aptitudes and interests that align well with middle-skills jobs.

Nearly all if not all of these jobs require technical and general education and training of the kind usually available through community or technical colleges. Employers apparently often stipulate that they are hiring young people with a B.A. as just a rough proxy for getting a literate, educated worker, when if there were a closer examination of what qualifications the job implies, a technical degree or certificate would be in suitable alignment.

Community colleges across Oregon provide training for middle-skill jobs. Portland Community College, for example, has 14 career and technical pathways -- ranging from computer support specialist to pharmacy technician -- and several vocational tracks for non-native English speakers. Improving enrollment in and completion of such programs is essential to the 40/40/20 goal. The state should explore credentials that learners can acquire in a shorter time frame than current options offer, and labor misalignments in fields such as nursing require better collaboration and communication between employers and training providers. Finally, the state must rigorously gather and track data about certificates and credentials.

9. Affordable and Equitable Access

In higher education, state and local support of institutions is squeezed in lean times, and boards respond by raising tuition. The state may or may not increase student
aid commensurately; it is usually a scramble to get student aid to catch up with costs.

Achieving 40/40/20 with an honest denominator means doing much better at keeping learners in the system long enough to reach the goal. Implementing an outcomes-driven policy will put a constant level of pressure on the base of institutional support. State policy should include hydraulics that allow variables to move in response to each other, such as tuition and financial aid. With shrinking state support, colleges and universities need flexibility to generate and use revenue from many sources, including tuition. But only by linking and integrating tuition flexibility within a clear state policy on affordability can we make sure that increases in tuition get matched by aid increases to protect those least able to afford higher education.

Oregon community colleges and universities have already stepped up in a variety of ways to the challenge of serving a new generation of minority and nontraditional students. Equity and sheer demographic projections demand that the strategy keep such work at its core.

10. Integrated Support System

A well-recognized set of socioeconomic, physical, and relational risk factors adversely affect students’ abilities to develop the foundations of school success. These include poverty, unstable family backgrounds, substance abuse, criminal records, and negative peer associations.

Numerous state-provided service programs – ranging from a myriad of human service programs to actions of the court – are not formally in the education domain but have an obvious impact on the likelihood of success by learners. Sometimes these related services, or their lack, become ready explanations for education failure; they should become bridges that reinforce learning and they can if the linkages are made in a seamless experience for learners and their families.

Linking education with social and health services – DHS, the courts, foster care, SNAP, welfare, child protection, behavioral health treatment – will benefit students, families, institutions, and communities. This has been tried before and the trick is to find effective methods of linking and coordinating without creating more bureaucracy or distorting the missions for agencies. Oregonians can and should expect a return on their investment in all of these programs.
Investing in Outcomes

Changing the Paradigm

Today, Oregon’s education funding is centered on inputs and enrollments. School districts, colleges, and universities build their budget and tuition requests by anticipating a number of students enrolled, scaling up the number of educators and other professionals required to serve and teach using existing staffing ratios, and weaving in inflation expectations for salaries, benefits, materials, and supplies.

The core principal: education delivery does not change. Yesterday’s approach is appropriate for today and tomorrow. Essentially budget architects and policymakers ask: What does it cost to keep everything the same?

To meet the 40/40/20 goal, the OEIB must change the paradigm and invest in outcomes rather than inputs. Outcome-based investing reorients the conversation. Rather than asking, how much does it cost to keep delivery the same? it asks, for a given amount of resources, what outcomes can the system deliver? Under an outcome-based approach, notions of current service levels, allocation formulas, and shortfalls are abolished. The model assumes that service is constantly innovating and improving—and by no means remains static.

The model also assumes the elimination of barriers between day care centers, schools, colleges, and universities. The more Oregon’s education providers view themselves as jointly serving—and accountable to—learners, the more seamless, efficient, and effective the system will be.

In a first, transformative step, the OEIB should reorganize education presentations around groups of learners. This would acknowledge the critical stages and phases of learning. In the planning and budgeting processes, the focus and debate would shift from institutional capacity to learner outcomes. Rather than launch a debate about institutional funding adequacy, the new orientation would start by asking: “who are the learners, who is serving them, and how are the learners faring?”

By organizing presentations by learner groups, the budget presentation would focus on the ultimate customer and would require agencies to develop joint presentations in areas where they share common learners and/or offer comparable programs. For example, universities and community colleges offer lower division collegiate courses, face similar enrollment pressures, and are jointly responsible for advancing one of Oregon’s critical education goals (i.e., the share of adults with a bachelor’s degree). A joint presentation would allow policymakers to compare
missions and goals, programs, costs, and performance. Similar cross-agency presentations would be appropriate for English language learners, special education, professional technical training, workforce development, and professional/graduate students.

The organization of the learner groups will be an important early decision for the OEIB, and the structure will shape budgeting and policy debates. The following serves as one example of how the learner groups could be organized.

- **Early learners**: Oregonians from birth through third grade or about age 8. Learners gain the necessary cognitive, social, emotional, and behavioral skills, and develop the ability to read fluently and apply skills in a variety of subjects.

- **Middle learners**: Oregonians enrolled in regular education from grades 4 to 8, or about age 9-14. They should exit this learning group with the skills necessary to tackle a rigorous and more diversified curriculum.

- **Learners with special needs**: Young Oregonians with physical or mental disabilities and in need of highly personalized learning programs. With significant state and federal resources allocated to these learners, a dedicated learner group would make for more routine analyses on learning gains across this varied population.

- **English language learners**: Oregonians, of any age, in need of special assistance to attain written and oral proficiency in the English language. A special focus here would point to which students are placed in the status, which are not, and highlight varied timetables on the path to English proficiency.

- **College and career preparation and entry**: Oregonians enrolled in high schools, alternative schools, community colleges, and universities who are attempting to complete high school, associate’s, or technical degrees and/or enter the workforce. This group brings to light the range of educational providers working at a common space in the continuum—as the majority of learners are preparing for a transition into the workforce.

- **Higher degree learners**: Oregonians who have completed lower division undergraduate work and are continuing into upper division baccalaureate, graduate, and professional degree programs. Here the focus and debate would be not only around the number of degrees but which degrees are needed to propel individual and collective wellbeing.

- **Lifelong learners**: Adult Oregonians who seek retraining or remedial education to strengthen their workforce skills and opportunities. This group becomes
increasingly important as a globally competitive workforce requires more skill updating than in the past.

Once the groups are established, the OEIB should ask:

- How many learners are moving through the pipeline and do their socioeconomic conditions tell us anything about what they will need to be successful in school and work?
- What are the outcomes we expect for each group of learners and how would we know if the state is on track to meet those outcomes?
- How can we align incentives and use evidence-based practices to get the results we want for each group?
- What parts of the system are ripe for redesign or innovation?
- What investments are necessary to make the changes that will allow us to achieve our outcomes? And how would investments inter-relate? That is, how do investments for one learner group affect the size and outcomes of other learner groups?

With these questions answered, the OEIB will need to turn to the next critical question: How much is available to invest in the education continuum?

**Deciding How Much to Invest**

The condition of the economy, competing priorities, public perceptions of need, and taxpayers’ perceptions of system quality will all influence the levels of resource available.

The resource discussion is easier to understand when placed in the context of Oregon’s economy—or, more specifically, the total personal income of Oregonians. Looking across all state and local government services, spending on public programs has stayed at a relatively stable 16 percent of total personal income during the last three decades. Consumption of public goods and services has tended to expand in good economic times and contract in bad.

In the case of education operations, spending—as a share of total income—has declined over time because the increase in Medicaid and corrections spending has outpaced the growth in incomes. So, if government remained a fixed share of the economy and parts of government grew faster than the economy, something had to give. That something was education, and declines took the form of reduced public subsidies for postsecondary education and somewhat slower growth in K12 appropriations.
With a more refined 40/40/20 plan in place, the OEIB will need to make some assumptions about the growth of incomes and the share of total income that could be invested in the 0-20 continuum. And that will require an understanding of expected growth in Medicaid, corrections, and other competing priorities. In short, the OEIB needs to ask: Will the continuum continue to spend about 6 percent of personal income, or could coordinated, focused planning gradually increase the percentage? Or should it anticipate less? For the new paradigm to work, an outlook, if not budget, longer than two years will be needed.

**Delivering Resources Across the Continuum**

Once the amount to be invested is determined, it will be the job of the OEIB to get the best value for the given level of resources. The detailed analyses of learner groups will inform the resource allocation process. At first, allocations may look similar to what is distributed under existing practice. But as the OEIB becomes more sophisticated in its use of evidence and data, allocations will change.

The OEIB’s investments would take three forms: 1) sustainable operation grants with outcome-based contracts, 2) proficiency/outcome-based funding, and 3) strategic grants.

- **Sustainable operation grants with outcome-based contracts.** To launch the system, the OEIB would establish grants to fund the core operations of the major education providers—school districts, colleges, and universities. While these grants resemble current funding in some ways, there would be several important differences.

  First, the OEIB would issue the grants with predictability in mind. The grants would be pegged to an inflation rate below the growth of personal incomes. The providers should be able to count on these funds as a “base.” But as the economy and personal incomes grow, a sizable share of the gains would go to other funds. So, the sustainable grants might grow but at rates slower than proficiency and strategic funding.

  Second, providers would enter into outcome-based agreements in exchange for the grants. The agreements would be brief, one-page statements of the key outcomes that providers would commit to produce in exchange for the funding. Such outcomes and associated measures would include those defined by the state, but could also include additional outcomes defined by the institution or school district. The grants would not rise or fall with performance. Rather, providers that meet or exceeded their outcome agreements would be rewarded with additional flexibility. And providers that fall short of promised outcomes would see more guidance and oversight.
Third, the OEIB would redesign aspects of the current funding system that are counterproductive. These include the special education weight that offers incentives for enrollments and the open-ended matching grants for student transportation.

- **Proficiency/outcome funds.** A lengthy list of perverse incentives, embedded in our current funding system, underlies the case for the new budget system. The broadest and simplest critique is that the financing provides incentives for enrollment and little else. With proficiency/outcome funds, the OEIB will transition away from paying for seats to paying for learning gains, demonstrated proficiencies, and degrees attained.

Although the problems of the current system are well documented, change brings the risk of introducing others. The OEIB must not replace bad incentives with worse ones. As it proceeds with implementation of the new system, the Board should be prepared to closely evaluate and expand features that improve productivity and adjust those that hinder it. The OEIB has no shortage of options in this area (see sidebar).

- **Strategic grants.** Across the learner groups, investment teams will identify opportunities to support and investigate innovative methods of delivery and expedite the use of evidence-based practices. Strategic grants provide the OEIB with the fiscal tool it needs to support continuous innovation and improvement.

### Boosting the Rigor of Resource Allocation

The unification of the education system brings an unprecedented but important challenge. Namely, as the economy improves and makes room for new investments, how does the OEIB allocate resources across different points in the continuum using strategies with varying degrees of evidence and cost? For the first time, these investors will have to weigh the competing evidence and costs of prekindergarten programs, K12 class size reductions, teacher recruitment and induction initiatives, high school and college retention efforts, need-based aid, and others.

To make the best use of their resources, the OEIB will have to ask and answer two questions:

First, **what impacts can we expect from an investment by when?** Evidence on the effectiveness of education interventions is expanding rapidly. Tracking students through schools and into the workforce, researchers are beginning to show how education achievement and attainment affect earnings. Enrollments in quality prekindergarten, positive shifts in scores on standardized tests, high school...
dropouts turned into graduates, and net new enrollments in college all strengthen the future earnings of the affected learners. And, as their earnings rise, these individuals demand fewer public services. The OEIB must move quickly to organize assumptions, understand the differential impacts of educational investments, and build a long-term model that demonstrates how and when education investments translate into earnings and lower spending elsewhere in public budgets.

And, what’s the cost required to deliver the impacts? Education providers will point to a wide range of interventions to improve school readiness, bolster math achievement, or retain young adults in the system. Each intervention comes with different costs. Identifying least-cost paths to sustained education goals will be a key to meeting the 40/40/20 goal.

Finally, and to repeat, no individual initiative should be pursued without understanding the interactions between the 10 critical elements. The elements can and must be used to reinforce each other.
1. Oregon Senate Bill 253

2. High school, associate’s degree, and bachelor’s degree attainment rates are draft results from a partially calibrated model using data from PUMS, Oregon Department of Education and the National Student Clearinghouse. High school includes GED, AHS, and those who are accepted into a college degree program without a high school diploma. Associate’s degrees account for 9 percent of the the 18 percent with an associate’s degree or certificate. Reliable postsecondary certificate attainment rates not available. Community colleges report that they are awarding about 5,000 certificates per year, but some of those go to learners who have associate’s or bachelor’s degrees, and some people earn more than one certificate. Based on data from the 2008 Oregon Population Survey, we estimate that 62 percent of certificates go to people without an associate’s or bachelor’s degree, and that 9 percent of young working-age adults have a certificate as their highest level of attainment. We were not able to estimate the number of certificates or credentials issued by institutions other than community colleges, so 18 percent with an associate’s degree or certificate is probably a conservative estimate.

3. Specifically, we assume the state will achieve 40/40/20 for Oregonians aged 25-34 in 2025. This is consistent with the College Board’s approach in its recommendation that the nation increase the number of 24- to 34-year olds who hold an associate’s degree or higher to 55 percent by 2025 (http://completionagenda.collegeboard.org/about-agenda).

4. The annual growth rates in this section are based on the difference between attainment levels in 2010 and the 40/40/20 goal. We define the “middle 40” as 15 percent with an associate’s degree and 25 percent with a certificate or other postsecondary credential. The rates account for population movement, are compounded exponentially, and have the same limitations and assumptions described in Endnote 2.