



Duncan Wyse, President of the Oregon Business Council

Civic Caucus, 8301 Creekside Circle #920, Bloomington, MN 55437

November 11, 2011

Notes of the discussion

Present : All by phone: Verne Johnson (chair), Janis Clay, Paul Gilje, Jim Hetland, Curt Johnson, Bill Kelly, Sallie Kemper, Dan Loritz, Tim McDonald, Clarence Shallbetter

Summary of discussion : In this meeting, Duncan Wyse, President of the Oregon Business Council, describes that state's recent enactment of legislation creating an "Education Investment Board" that is charged with improving public education outcomes through alterations in state financing. He describes the political compromise involved in such a change, next steps toward implementation, and the possibility of outcome-based budgeting being used elsewhere in the state.

A. Welcome and introductions - Duncan Wyse is the President of the Oregon Business Council, a position he has held since June 1995. The Council is a private non-profit, non-partisan organization consisting of chief executives from some of Oregon's largest businesses. The council's function is to focus the knowledge and resources of its members on key, long-range public policy issues facing Oregon such as education, health care, transportation and public finance.

Prior to joining the council, Wyse was Executive Director of the Oregon Progress Board where he developed two reports on economic growth and indicators for the state. He spent eight years at the California Public Utilities Commission, serving as advisor to the President and Director for Policy and Planning. Wyse currently serves on a number of boards including the Oregon State Board of Education. In 2009, he was honored with the Sustainable Business Oregon Leadership Award.

Wyse holds a Bachelor's degree from Pomona College and a Master's in Business Administration from Stanford University. He grew up in Portland, and is married with three children.

B. Discussion - During the course of the discussion the following points were raised:

Wyse thanked the Caucus members for inviting him to visit about policy with Minnesotans. Having conducted Oregon's economic benchmarking Wyse commented that, "your state is right up toward the top," on social and economic indicators as well as on innovations in state policy such as the charter school law.

2011 legislation creates a state education "Investment Board".

Wyse began by discussing the recent creation of the Oregon Education Investment Board (OEIB) by Governor Kitzhaber and the Oregon Legislature. The OEIB, chaired by the Governor, seeks to create a new process for paying for public education in the state.

The enabling legislation charged the 12-member board with overseeing a single, unified, "seamless" public system spanning early learning through college. The board is responsible for developing a "0-20" plan that defines learning outcomes for students in public schools, from early, pre-kindergarten learning through primary, secondary, and post-secondary education.

The board is also charged with establishing a statewide database of students that provides information regarding performance to inform policy makers, teachers, and families about student progress. They also must create an "Early Learning Council" to streamline and strengthen early childhood services to at-risk youth.

Members of the board are charged with reporting back to the legislature by December 2011, on progress to date and on potential legislation for the 2012 legislative session.

Oregon seeks to change the way education is delivered

"We're significantly changing the way education is delivered for Oregonians," Wyse said in describing the legislation. He characterized the board's role as "potentially a breakthrough" in moving the state toward ambitious goals for educating its workforce for a 21st century economy. The bills that were passed provide an innovative framework for reworking both the funding and the incentives of public education.

Education performance in Oregon isn't actually as good as sometimes thought, Wyse said; the state is "in the middle of the pack" nationally on outcome data such as test scores and graduation rates. He noted that the state is presently relying on institutions that were designed many decades ago for an economy that didn't require all of the state's citizens to achieve high levels of education.

Today, Wyse said, everyone in the state needs to meet high standards not only in literacy and math, but also in problem solving. To have a well-paying job a person needs to have a better education than many now entering the workforce are able to demonstrate.

New models of education are required for higher performance.

Wyse told the group that he believes it is possible for all students to meet high standards-but to get there the state needs a new educational delivery system with an entirely new design basis.

In the current system design, time is a constant. Students move through the educational system at the same pace: one grade each year, for the most part. In this system, some students succeed wonderfully, some do all right, and some fail miserably and eventually drop out. That outcome is no longer sufficient if the state is to meet its economic goals.

Instead, Wyse contends, the new design needs to treat time as variable and learning as constant, building a seamless pathway organized around student proficiency, not seat time. That is, students

will vary in the time they require to demonstrate certain benchmark learning goals. "You end up with a very different conception of the education continuum."

Their goal is to be clear regarding learning standards, while allowing for customization of the learning processes-creating pathways that better fit the needs of individual students.

The government's tool for change is financing of schools.

The framers of the legislation believed that the most powerful tool the state has is funding - and therefore the investment board is beginning to consider the following components of a possible strategy to recommend the state:

1. Adopt ambitious outcomes for high school and post-secondary attainment.
2. Provide intermediate goals along the way, such as readiness indicators for young students, and progress for older students.
3. Begin the design of a new method of funding based on those outcomes.

Regarding the setting of standards, Wyse cited a popular belief in national policy that great teaching requires "clarity between the student and teacher about what needs to be learned." Therefore, Oregon's new funding model will not only be very clear about what students are expected to learn but also will require clear assessments that can feed into an electronic database. Access to this data will further increase transparency.

Paying for performance would remove the compliance culture.

Today over 50 percent of Oregon's general fund goes to education, Wyse said. This new board will be tasked with proposing to the legislature how funds are to be distributed. The board could use outcome grants, for example, where money goes to a school based on a defined outcome, such as the number of students graduating from high school.

Merely complying with a set curriculum would no longer be sufficient for a school to succeed under this plan. "My vision is the compliance agencies would go away."

A participant asked if proficiency or graduation-rate outcome goals might cause some schools to discourage struggling students from enrolling in order to improve the school's chances of meeting goals. Wyse answered that while all outcome-based funding schemes have to address the possibility of perverse incentives, "we have to trust that our teachers have the integrity to do what is best for students."

The role of the state in this scheme is to invest in defined educational outcomes. The state doesn't run the schools Wyse said. However, by focusing on the overall educational continuum, the board can focus state-level resources on defining the desired outcomes, assessment mechanisms, and payment systems for outcomes achieved. This is a new DNA, Wyse said. It blurs the lines dramatically all the way from pre-K through post-secondary. With these new tools, state leaders can think more strategically about where they invest. That was almost impossible with the old system.

It is a challenge to enable schools to change.

A participant asked Wyse what options might be available to teachers that want to change, but are inside a district that doesn't. He responded that there is no easy solution. This gets into the long-term governance of the system, which is less the function of the law than is changing the incentives.

The theory is that if incentives are changed radically enough then the organizations inside the system in turn have to become self-organizing and change in response. Gradually, he said, the state is going to change the way money moves in order to change the incentives so that the common goal is proficiency.

Wyse cited the English Language Learner classification as an example of how incentives are often misaligned. Schools receive extra funds for students that are classified as ELL, so the incentive on the school is to put them in an ELL class and keep them there-not to move them out, as that would mean loss of the extra funds.

There are alternatives to the traditional district school, he noted. If one believes a district school is an impediment to innovation, which, he added, is not an unreasonable assumption, there could be a charter school inside the district that may be more amenable to change.

Implementation of the law starts with school compacts.

In year one the board plans to ask schools to sign an "achievement compact", an initial agreement outlining goals that the schools will strive for. A school district will submit one compact for all schools in the district.

This is step one to get everyone focused on common outcomes, Wyse said.

The next step will be to decide what happens when some schools set less ambitious outcomes than expected, or don't meet their outcomes. The board's particular responses to these types of scenarios are yet to be determined.

Outcome-based budgeting is under study for other areas.

The Oregon Education Investment Board is part of a larger movement Wyse discussed which advocates for more outcome-based budgeting in other areas of state government.

The process of outcome-based budgeting in government involves starting with the desired outcomes for a topic area, soliciting proposals from agencies and elsewhere to achieve those outcomes, and selecting and evaluating them in terms of performance. Outcome-based budgeting marries policy with budgeting, Wyse observed, and the governor is considering now where else those principles may be applied successfully.

C. Closing -

To a closing question about leadership Wyse said that Governor Kitzhaber is in his third term, having left office for one term between his first two and the current one. During his break from office the Governor, a Democrat, came to believe that state processes had to be changed fundamentally. He came back talking about wanting to redesign government.

The result has been an interesting alliance, Wyse said, describing a day early in the Governor's term when he brought conservative legislators to his home for a conversation about working together on these issues.

As a result, Wyse said, he was able to bring votes along on open enrollment and virtual schooling, two pillars of a major education reform last session. Similar collaboration and resulting progress may be possible in future.

The Chair thanked Mr. Wyse for the very informative discussion.