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MEMORANDUM

Date: December 3, 2012

**Michigan Public Education Finance Act of 2013**  
**(“Draft 1”)**

In response to many inquiries from outside Michigan regarding the draft of a Michigan Public Education Finance Act of 2013 designed to partially replace the Michigan State School Aid Act of 1979, the following Memorandum is intended to provide a more in-depth look at the process and the proposals included in Draft 1 (<http://wp.me/p2ARTm-9b>).

As of this date, the final proposal has not been submitted to Governor Snyder.

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**Background and Governor’s Charge**

On April 27, 2011, Michigan Governor Rick Snyder issued “A Special Message from Governor Rick Snyder: Education Reform.” The Message called for extensive changes, including:

Michigan’s education system must be reshaped so that all students learn at high levels and are fully prepared to enter the work force or attend college. They must think and act innovatively, demonstrate high performance, and meet the

highest expectations. In addition, our students must leave high school with the skills to make sound financial decisions and demonstrate a basic understanding of personal finance.

The Special Message was followed by the enactment of several pieces of legislation amending the Michigan Revised School Code and other education laws, including:

- Expanding the number of authorized cyber schools.
- Lifting the cap on charter schools and schools of excellence.
- Reforming Michigan’s teacher tenure act.
- Eliminating “last in/first out” policies.

In addition, legislation has been introduced that proposes other significant education reform, including bills to:

- Expand online learning and blended learning.
- Authorize new forms of schools including international schools and advanced learning academies with selective enrollments.
- Create a new structure to address academically failing schools, the Education Achievement Authority.
- Authorize residential public schools for special populations, including a military/public safety academy.
- Use adjunct instructors from university and college faculties and from business and professional leaders.

These legislative actions, however, have not addressed significant required changes in the law relating to public school finance – the School Aid Act of 1979. (MCL §§ 388.1602 *et seq.*)

The Public Education Finance Project (“Project”) is designed to provide a replacement for the 1979 School Aid Act with a modern education financing law that reflects the present structure of Michigan’s public school system and allows for future changes reflecting the Governor’s vision for public education.

## **History and Shortcomings of the School Aid Act of 1979**

- The present State School Aid Act of 1979, Act 94 of 1979, MCL 388.101 *et seq.*, was enacted 32 years ago and has been amended annually to meet the constitutional requirement on annual appropriations. Its present title states:

AN ACT to make appropriations to aid in the support of the public schools and the intermediate school districts of the state; to make appropriations for certain other purposes relating to education; to provide for the disbursement of the appropriations; to supplement the school aid fund by the levy and collection of certain taxes; to authorize the

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issuance of certain bonds and provide for the security of those bonds; to prescribe the powers and duties of certain state departments, the state board of education, and certain other boards and officials; to create certain funds and provide for their expenditure; to prescribe penalties; and to repeal acts and parts of acts.

- The statutory structure for financing Michigan’s system of free public and elementary schools is based on an outmoded school model that was replaced by the voters.
- For over 100 years, Michigan relied primarily on geographically based school districts and locally raised property taxes for public schools.
- Since 1994, however, with the adoption of Proposal A, Michigan’s constitutionally guaranteed per pupil allowance gave parents and students the ability to select from available public options that meet the student’s educational and family needs and objectives.
- Now, the present system of public education includes both local property taxes and a wide range of state taxes, including a state real estate tax, dedicated sales taxes, lottery revenue and other state taxes to pay for a wide range of public schools including district schools, public school academies, urban high school academies, schools of excellence, cyber schools, and dual enrollment of high school students in college classes.
- The State School Aid Act of 1979 (“Act”) that annually appropriates \$14 billion plus for public schools, is a unique statute in that it serves as both a substantive law supplementing the Revised School Code and an annual appropriations act that must be amended each year to appropriate funds for K-12 education.
- The Act is exceptionally opaque and is designed to serve the interests of legislators and representatives of education interests who control the education system.
- As presently written, the Act makes it very difficult to implement new ideas and new forms of education, including the following proposals put forward by Governor Rick Snyder:
  - Greater choice for students and parents.
  - A state foundation allowance should not be tied exclusively to the school district.
  - Funding that follows the student.
  - Allow expanded “on-line learning.
  - Early college attendance and seamless transfer between secondary and post-secondary institutions.
  - Experiential learning models.
  - Mandatory “schools of choice,” i.e., inter-district choice.

- Education system that offers unfettered flexibility and adaptability for student learning models and styles.
  - Proficiency-based funding rather than “seat time” requirements.
  - A system that is more cost-efficient, competitive, innovative and effective in motivating student achievement.
  - A system that embraces innovative learning tools.
  - Changing from a static approach to education delivery to one responsive to individual learning styles.
- A fundamental anachronism in the present State School Aid Act is that it is structured around the concept of “membership” in a local school district, whereby a student is essentially treated as the property (and responsibility) of the school district because of the school aid funds that flow to the district through enrollment of pupils in membership. Any other form of public education is treated as an exception, frequently requiring approval of the school district of residence.
  - A modern education finance law would be based primarily on the interests of the student, not the particular school or schools he or she attends. A 21<sup>st</sup> century public education system would recognize the diversity of competing schools and educational approaches necessary to meet the needs of a diverse population.
  - A school financing system that is more cost-efficient, competitive, innovative and effective in motivating student achievement would be transparent and understandable to the consumers of education services – parents and students.

## **Scope of the Michigan Public Education Finance Project**

Governor Rick Snyder asked Richard D. McLellan, a semi-retired Lansing lawyer, to undertake a 6-month intensive project to draft and submit for his review a new, modern Michigan Public Education Finance Act of 2013 to replace the 32-year old act.

The Governor’s objective, by proposing a new school financing law for fiscal year 2013-2014 (to be effective October 1, 2013), is to modernize the structure and the financing of Michigan’s public education system to be more responsive to the educational and economic challenges Michigan faces.

The Governor did not name a commission, council, team or work group to undertake the Project. Instead he tasked McLellan with reaching out to education interest groups and others to discuss how best to implement the Governor’s already announced policy proposals in state law. Bill Rustem and Greg Tedder of the Executive Office staff were tasked to oversee the Project.

The Project consists solely of the following:

- Richard D. McLellan ([www.richardmclellan.com](http://www.richardmclellan.com))

- Peter Ruddell, lawyer and principal drafter (<http://wienerassociates.com>). Ruddell’s legislative drafting experience includes drafting the Dr. Ron Davis Smokefree Air Law.
- Mary Kay Shields, a volunteer and Chief Deputy Director of The Governor John Engler Center for Charter Schools at Central Michigan University ([http://cmucso.org/modules.php?name=Pages&sp\\_id=231](http://cmucso.org/modules.php?name=Pages&sp_id=231))
- Donna Halinski and Tom Shields of Marketing Resource Group (MRG) (<http://mrg.stereointeractive.com/mrg/>)

In addition, the Project consulted with the State Budget Office and education policy and fiscal agency staffs from the Michigan House and Senate. State Superintendent of Public Instruction Michael Flanagan arranged several opportunities to meet with his professional staff as the Project proceeded. We also met with members of the elected State Board of Education, including Board President John Austin. But, the recommendations included in Draft 1 are solely those of the drafters.

During the process, we received a very helpful “Headlee Amendment and Proposal A Primer” from Jane Wilensky and Paul Zimmer, both retired assistant attorneys general that handled the Durant and Adair cases for the state. We believe this helped us stay within the limits imposed by the constitution and these important cases.

The Project is based on implementing the proposals in the Governor’s Education Message of 2011 issued under the following constitutional directive:

Art. V, §17: The governor shall communicate by message to the legislature at the beginning of each session and may at other times present to the legislature information as to the affairs of the state and **recommend measures he considers necessary or desirable.** (Emphasis supplied.)

While education finance is a broad issue, the actual assignment to the Project is narrow: propose changes in the required annual public education appropriations law. Under Michigan’s constitutional structure, the Governor’s duties include the following:

Art. V, §18: The governor shall submit to the legislature at a time fixed by law, **a budget for the ensuing fiscal period setting forth in detail, for all operating funds, the proposed expenditures and estimated revenue of the state.** ... On the same date, the governor shall submit to the legislature general appropriation bills to embody the proposed expenditures and any necessary bill or bills to provide new or additional revenues to meet proposed expenditures. (Emphasis supplied.)

The State School Aid Act of 1979, as amended yearly, serves as the annual appropriations act for Michigan public education.

The Project is focused solely on changes to the education appropriations finance law needed to implement the Governor's 2011 policy proposals. It does not address the Revised School Code, State Board of Education regulations, federal regulations or other matters that are essential parts of the complex regulatory structure for public education.

At the same time the Project was underway, the Governor and his staff, as well as the State Department of Education and State Treasury, were faced with a number of continuing challenges with both financially and academically failing public schools. While those involved in the Project were aware of these other activities, they did not directly affect the work on drafting a public education finance structure for future fiscal years.

## **Process**

Because public education and school financing is such an important subject to many organizations and the general public, the Michigan Education Finance Project has been conducted with maximum transparency, including having all legislative drafts, reports and recommendations made public and accessible on-line.

Following conclusion of our meetings with education interest groups, Peter Ruddell, Mark Kay Shields and I discussed what to include in a first draft of the Public Education Finance Act of 2013. We decided early that a complete replacement of the School Aid Act was neither feasible nor necessary to advance the Governor's proposals.

Peter Ruddell undertook to prepare the initial draft of a bill and the 302-page Draft 1 was made public in mid-November 2012. Draft 1 was shared with the Executive Office and the Superintendent of Public Instruction, but neither were asked to approve the proposal before public circulation.

Draft 1 is, of necessity, incomplete and subject to substantial revision. The State Budget Office and the Legislative Service Bureau will need to incorporate any suggestions adopted by the Governor into his full education appropriations proposal in early 2013.

We have not, of course, made specific funding recommendations as to the amount to be appropriated in the various funding buckets. This is the job of the Budget Office and, ultimately, the Governor and Legislature.

**The final proposal will be submitted to the Executive Office of the Governor before Christmas 2012.**

## **Outline of Significant Proposals and Issues**

Draft 1 is a 302-page bill drafted in the standard format for Michigan legislative bills.

Reading a lengthy draft bill to determine what really is being proposed is often challenging. The interplay of multiple definitions and sections, including sections not

amended, sometimes obfuscates what is intended. A reader should understand that Draft 1 changes would, if adopted, be incorporated into the final act, which includes many provisions not included in Draft 1.

Accordingly, this section of the Memorandum is designed to outline the major concepts included in Draft 1.

Where convenient, I have tried to include specific language from the Governor’s Message related to the proposed language.

***“Unbundling” and “Enrollment District” As An Approach to “Any Time, Any Place, Any Way, Any Pace”***

The “Any Time, Any Place, Any Way, Any Pace” concept (now referred to as “the Anys”) is based on the Governor’s Message:

Today, I am proposing a new —Any Time, Any Place, Any Way, Any Pace public school learning model. Michigan’s state foundation allowance should not be exclusively tied to the school district a child attends. Instead, funding needs to follow the student. This will help facilitate dual enrollment, blended learning, on-line education and early college attendance. Education opportunities should be available 24 hours a day, 365 days a year.

Similarly, the 2012 Reform Priorities of the bi-partisan State Board of Education include: “Support ‘any time, any place, any way, any pace’ initiatives that help schools to personalize learning for every student.”

The existing public school model can be viewed as primarily a “bundled” model where each student enrolls or is assigned to a specific school, which thereafter attends to all his or her education needs. The School Aid Act of 1979 is built on this model with its focus on “membership” and the per pupil allowance aid to the school district. (The term “district” generally includes general powers districts, ISDs, charter schools and Education Achievement Authority Schools.)

With limited exceptions, leaders of the public education establishment view any change from the bundled model as a threat to their role.

Unbundling public education in order to implement the Anys is a challenging concept in that it requires rethinking a deeply embedded early 20<sup>th</sup> century industrial model of education. We tried to examine some of the issues in a paper posted on the Oxford website: “Disaggregating High School Education; An Approach to Implementing ‘Any Time, Any Place, Any Way, Any Pace’.”

The MDOE staff reviewed the paper and raised a number of issues related to how this approach might be difficult to adopt and the challenges it faces.

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### ***New Consumers of Public Education***

Technology is moving faster than any policy will be able to anticipate or react. One of the major goals of unbundling education is to create more consumers of education services, where there are not consumers. The largest segments of consumers of online learning are those pupils seeking credit recovery or catching up so as to graduate on time. The pupils were “nonconsumers” in the traditional education system. By turning these pupils into full consumers of education services, we will improve our workforce by creating more career and college ready citizens.

### ***Enrollment District***

For purposes of implementing the unbundling approach, Draft 1 includes the concept of an “enrollment district.” Under this concept, the enrollment district is the school district a student and his or her parents selects as the primary public school authority for the maintenance of records and payment of public funds for the student’s education. The key language is in a proposed new section 388.1606f:

SEC. 6F

**(1) EXCEPT AS OTHERWISE PROVIDED IN THIS ACT OR THE REVISED SCHOOL CODE, A PUPIL SHALL DESIGNATE ONE OF THE PUPIL’S EDUCATING DISTRICTS TO BE THE PUPIL’S ENROLLMENT DISTRICT. A PUPIL MAY RECEIVE INSTRUCTION FROM MORE THAN ONE DISTRICT OR INTERMEDIATE DISTRICT.**

**(2) FOR EACH PUPIL ENROLLED, THE ENROLLMENT DISTRICT SHALL DO ALL OF THE FOLLOWING:**

- (A) VERIFY THE PUPIL IS A RESIDENT OF THIS STATE;**
- (B) IDENTIFY THE PUPIL’S ELIGIBILITY FOR ANY ADDITIONAL EDUCATIONAL SERVICES FUNDED BY THE MICHIGAN PUBLIC EDUCATION FINANCE ACT, INCLUDING, BUT NOT LIMITED TO AT-RISK FUNDING, SPECIAL EDUCATION SERVICES, AND ENGLISH LANGUAGE LEARNER SERVICES.**
- (C) MAINTAIN RECORDS OF THE PUPIL;**
- (D) IN COOPERATION WITH THE PUPIL AND PARENTS, PROVIDE COUNSELING SERVICES, WHICH MAY INCLUDE THE CREATION AND MAINTAINENCE OF A PERSONALIZED EDUCATION PLAN FOR THE PUPIL;**
- (E) FURNISH THE CENTER WITH ALL REQUIRED DATA;**



**(F) GRANT DIPLOMAS AS ALLOWED UNDER THE REVISED SCHOOL CODE;**

**(G) ACCEPT ALL CREDITS EARNED BY THE PUPIL AT ANY DISTRICT OR INTERMEDIATE DISTRICT;**

**(H) ALLOW THE PUPIL TO TAKE A COURSE OR ONLINE COURSE FROM ANY DISTRICT OR INTERMEDIATE DISTRICT IN THE STATE; AND**

**(I) ADMINISTER THE PUPIL GROWTH AND ASSESSMENT TOOL FOR ITS ENROLLED PUPILS. THE PUPIL GROWTH AND ASSESSMENT TOOL WILL BE BASED ON THE RECOMMENDATION FROM THE MICHIGAN COUNCIL FOR EDUCATOR EFFECTIVENESS.**

**(J) ADMINISTER THE MICHIGAN MERIT EXAM, AS REQUIRED UNDER SECTION 104B.**

**(4) AN ENROLLMENT DISTRICT MAY DO ANY OF THE FOLLOWING:**

**(A) DIRECTLY OFFER COURSES, INCLUDING ONLINE COURSES, TO PUPILS; AND**

**(B) ENTER INTO CONTRACTS WITH OTHER DISTRICTS, INTERMEDIATE DISTRICTS, OR OTHER ENTITIES THAT OFFER COURSES, INCLUDING ONLINE COURSES, TO THE ENROLLING DISTRICT'S PUPILS.**

For most students who select to continue to receive a bundled education, the enrollment district would be the district or charter school the student selects.

But for students and their families that want to access multiple public school resources, the enrollment district would have to perform some or all of these functions:

- Initial enrollment of the student and determination of Michigan residency.
- Categorization of the student, e.g., as special education eligible, at risk, ELL, etc.
- Maintenance of electronic records of the academic and financial matters related to the student for the entire period he or she is in Michigan public schools
- Serve as fiscal agent for receipt of state education funds and accounting and payment of a portion of the funds to public schools that provide part of the student's education.
- Monitoring the courses and credits earned.
- Conducting or supervising state-required tests.
- Issuing diplomas.
- Accept all credits earned.

There are significant issues that will need to be resolved:

- Does the enrollment district “own” the student in the sense that it will be held responsible for the outcome even though the school does not control all the student’s courses? This is where data and record keeping requirements may undermine a new approach.
- Does the enrollment district have any mandatory counseling function to assure the student only takes courses that meet the student’s needs? Draft 1 includes the counseling function.
- Does the enrollment district have the power to prohibit a student from taking a course offered by another Michigan public school, and does this create a financial incentive for the enrollment district to act in the district’s economic interest rather than the academic interest of the student?
- How and how much is the enrollment district paid for performing these functions?

### ***Creating Space for Change***

The Governor’s Message included:

By introducing an education system that offers unfettered flexibility and adaptability for student learning models and styles, we will break down the status quo on how, when, and where students learn.

We must minimize all state and local barriers that hinder innovation at the local level, including seat time regulations, length of school year, length of school day and week, and the traditional configurations of classrooms and instruction. Blended learning models, where students receive instruction from high quality online educators, along with face-to-face instruction from high quality classroom teachers should be encouraged. School districts that embed technology into blended classroom instruction or embrace total online learning, project-based learning, and experiential learning models will make the system more cost-efficient, competitive, innovative, and effective in motivating student achievement.

In drafting the proposal, we were trying to create a framework that will allow rapid change and innovation, particularly in the technology area. A well-respected school superintendent advised us that, in his view, technology in schools was changing rapidly and it was difficult to use it effectively. Online learning, blended classrooms, computer-assisted learning, educational games and other technologies all offer potential for improving education and learning. But we recognize there is a tendency to be overly prescriptive and to mandate the latest flavor of innovation being proposed or promoted by providers.

Accordingly, Draft 1 is designed to open up public education to methods or technologies that work. We have neither tried to limit ideas because they challenge the establishment or are “unproven,” nor are we proposing the implementation of any specific methods or technologies.

We believe the expanded choice driven by unbundling and the Anys can contribute to the Governor’s objective to “break down the status quo.”

### ***Data and Performance Based Funding***

The Governor’s Message included:

We are expecting a lot of our students and our schools as well as those who teach in them and those that run them. This is as it should be. To reinvent Michigan and realize our potential, we must expect the best. We have to provide the tools, the support, and the environment for students to reach the high expectations we have set, as parents and as state decision-makers.

To get the student learning we expect nothing matters more than great teachers and great teaching. Every body of research confirms that the biggest contributor to learning gains and good school and life outcomes is the great teacher who inspires student learning. The impact of great teaching is most dramatic among those with the furthest to travel in their education.

Bill Gates, whose foundation is dedicated to improving education worldwide, spoke to the nation’s governors recently. He said: —We know more (today) about what works. Of all the variables under a school’s control, the single most decisive factor in student achievement is excellent teaching. It’s astonishing what great teachers can do for their students. But compared to countries that outperform us in education, we do very little to measure, develop and reward excellent teaching.

All of us know in our hearts the genuine importance of teachers. We remember the handful of teachers who shaped our lives and careers. We fight to get our kids in the best teacher’s classes. It’s time we said clearly: every teacher in every Michigan classroom is going to have the tools, training, feedback and support to be a star teacher.

Teachers themselves are asking for help. Earlier this month, the American Federation of Teachers [Disclosure: I am a member of The MSU Union of Nontenure-track Faculty

(UNTF), an American Federation of Teachers affiliate] issued a report outlining what new, young teachers expected in order to keep them in the profession and thrive in the classroom. They asked for:

- Regular feedback on their effectiveness
- Fair, rigorous and meaningful evaluation systems
- Peer learning and shared practice
- Recognition of and reward for high performance
- Intelligent use of technology to enhance performance

Not surprisingly, in a document submitted to the Project, the Michigan Education Association (“MEA”) raised a number of issues including:

While details are not clear, the Governor has proposed changing the method of calculating funding amounts at the K-12 level from a “seat time” system to a “performance based” system. We believe that such drastic changes should be undertaken very carefully and after a great deal of study and debate. In recent years some have proposed overly simplistic methods of determining “performance” that fail to take into account the vastly different aptitudes, abilities, learning impediments, barriers (or lack thereof) that the highly diverse, complex student populations possess. If “performance based” is established solely by measuring results of standardized tests and comparing them to some other group’s standardized test scores or to previous standardized test scores, the system will be fatally flawed. Education research tells us what works. Policymakers need to adopt a data-driven approach. These [MEA] proposals are based on solid educational research that should inform Michigan’s policy making.

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We strongly support objective data and benchmarks to determine the effectiveness of virtual education for all students who choose this method of delivery.

We interpret this to mean the MEA recognizes the value of “objective data and benchmarks to determine the effectiveness” of all public education.

Given the Governor’s focus on performance and choice, we wanted Draft 1 to focus on funding things that work (and stopping things that don’t work). The present “seat-time” approach focuses on funding schools regardless of performance. The focus on performance based funding forced us to wade into the thicket of data collection in public

education. Michigan has been addressing this issue for years and is in the midst of several related initiatives, including:

- In the current fiscal year, a \$30 million approach started performance based funding in a limited way.
- State Board of Education adoption of the Common Core State Standards Initiative (CCSSI) — a set of consistent, clear K-12 academic standards in English language arts and mathematics. The criteria used to develop the college- and career-readiness standards, as well as these K-12 standards are:
  - Aligned with college and work expectations;
  - Include rigorous content *and* application of knowledge through high-order skills;
  - Build upon strengths and lessons of current state standards;
  - Informed by top-performing countries, so all students are prepared to succeed in our global economy and society; and,
  - Evidence and/or research-based.
- Michigan participation and leadership in The Smarter Balanced Assessment Consortium (Smarter Balanced), a state-led consortium working to develop next-generation assessments that accurately measure student progress toward college- and career-readiness. (<http://www.smarterbalanced.org/about/>) The Smarter Balanced approach is based on:

The belief that a high-quality assessment system can provide information and tools for teachers and schools to improve instruction and help students succeed – regardless of disability, language or subgroup.

To develop a common assessment system, based on the Common Core Standards grounded in the following principles: allow for comparison across students, schools, districts, states and nations; create economies of scale; provide information and support more effective teaching and learning; and prepare students for college and careers.

- Increased use of computer adaptive technology. As the Smarter Balanced web site states:

Smarter Balanced assessments make use of computer adaptive technology, which is more precise and efficient than fixed-form testing. Teachers, principals, and parents can receive results from computerized assessments in weeks, not months. Faster results mean teachers can use the information from optional interim assessments throughout the school year to differentiate instruction and better meet the unique needs of their students.

- Creation of a temporary state agency, the Michigan Council for Educator Effectiveness (MCEE) (<http://www.mcede.org/>), to develop and recommend a "student growth and assessment tool" to measure student growth in the core subject areas of mathematics, science, English language arts, and social science, and in other subject areas. The tool must be a:
  - “Value-added model that takes into account student achievement and assessment data, and is based on an assessment tool that has been determined to be reliable and valid for the purposes of measuring value-added data.”
- The Superintendent’s process of rating the bottom 5 percent of schools and other ranking of school performance.
- School boards must adopt and implement for all teachers and school administrators “a rigorous, transparent, and fair performance evaluation system ... (that) evaluates the teacher's or school administrator's job performance at least annually....”
- The adoption, by the Education Achievement Authority and other schools, of new computer-assisted learning and assessment tools.
- Increased use of computer-adaptive national norm tests.

As a starting point, Draft 1 includes language with these concepts:

- A “performance count day” to be added to the existing enrollment count days where eligibility will be based on a school’s performance on the measure of student growth based on the results of the student growth and assessment tool:

§388.1606e PERFORMANCE COUNT DAY

**(1) FOR THE 2014-2015 SCHOOL AND EACH SUBSEQUENT SCHOOL YEAR, ON THE FINAL DAY OF INSTRUCTION FOR A SCHOOL YEAR OR THE COURSE, INCLUDING ONLINE COURSES, THERE SHALL BE A PERFORMANCE COUNT DAY OF THE FINAL SCORE OF PUPILS IN MEMBERSHIP OF A DISTRICT OR INTERMEDIATE DISTRICT.**

**(2) FOR THE 2014-2015 SCHOOL AND EACH SUBSEQUENT SCHOOL YEAR, NOT LATER THAN THE FIFTH WEDNESDAY AFTER THE PUPIL MEMBERSHIP COUNT DAY, A DISTRICT OR INTERMEDIATE DISTRICT SHALL PROVIDE TO THE CENTER AND THE INTERMEDIATE SUPERINTENDENT, THE BASELINE SCORE AND GROWTH SCORE ON THE STANDARDIZED**

**ASSESSMENT SELECTED BY THE DISTRICT OR INTERMEDIATE DISTRICT FOR EACH PUPIL IN THE MEMBERSHIP OF THE DISTRICT OR INTERMEDIATE DISTRICT.**

**(3) FOR THE 2014-2015 SCHOOL AND EACH SUBSEQUENT SCHOOL YEAR, ON THE EIGHTH WEDNESDAY AFTER THE FINAL DAY OF INSTRUCTION FOR A SCHOOL YEAR, A DISTRICT OR INTERMEDIATE DISTRICT SHALL PROVIDE TO THE CENTER AND THE INTERMEDIATE SUPERINTENDENT, THE FINAL SCORE OF EACH PUPIL IN THE MEMBERSHIP OF THE DISTRICT OR INTERMEDIATE DISTRICT.**

**(4) THE DEPARTMENT SHALL ISSUE A POLICY IDENTIFYING ALL ASSESSMENTS APPROVED BY THE DEPARTMENT OF GRADE-APPROPRIATE BASIC EDUCATION SKILLS. THE DEPARTMENT POLICY UNDER THIS SUBSECTION SHALL INCLUDE OFF-THE-SHELF ASSESSMENTS.**

**(5) THE CENTER SHALL CALCULATE THE NUMBER OF PUPILS WHO HAVE ACHIEVED ONE YEAR'S GROWTH BASED ON THE DATA SUBMITTED BY EACH DISTRICT OR INTERMEDIATE DISTRICT. THE CENTER SHALL INFORM THE DEPARTMENT OF THE PERCENTAGE OF PUPILS WHO ACHIEVED ONE YEAR'S GROWTH FOR EACH DISTRICT OR INTERMEDIATE DISTRICT.**

**(6) IF THE DISTRICT OR INTERMEDIATE DISTRICT DOES NOT ACHIEVE GROWTH FOR ALL THE DISTRICT OR INTERMEDIATE DISTRICT'S PUPILS, THEN THE DEPARTMENT SHALL DEDUCT FROM FUTURE PAYMENTS TO THE DISTRICT OR INTERMEDIATE DISTRICT, THE PROPORTIONAL FOUNDATION ALLOWANCE FOR THE DISTRICT OR INTERMEDIATE DISTRICT'S PUPILS WHO DID NOT ACHIEVE THE REQUIRED PERFORMANCE.**

**(7) EACH DISTRICT OR INTERMEDIATE DISTRICT SHALL BE RESPONSIBLE FOR**

**SUBMITTING THE INFORMATION REQUIRED  
UNDER THIS SECTION TO THE CENTER.**

- A change in the funding formula, based initially on a small proportion to be based on performance, with the expectation that the proportion would be increased over time.
- New terminology.

Performance based funding is the most challenging task we have, in part because there are many aspects of this approach still in development. Nevertheless, Draft 1 is a first step at a redesigned approach to facilitate a greater and more effective use of student achievement and assessment data as it becomes available.

We have three caveats:

- It appears that much of the assessment and data functions (and perhaps federal laws and regulations) are focused on measuring schools, not actually student performance. In fact, we have been advised that students and parents are not given access to much of the granular information the state collects on individual students. We think the data process should be student-centric as well as meeting legal requirements.
- We are concerned that the data collection structures will be used to prevent a robust unbundling that would be in the interest of student achievement, but will force structures to meet data requirements instead (“You can’t do it that way because the feds require it this way.”).
- There is a need to focus on what reports are required of schools. 15 years ago, there was a list generated of all reports required by the state, federal government and legislature from schools. We have included in Draft 1 that a similar list and common calendar be developed with the objective of reducing the number of redundant or unread reports.

***Online Education***

Draft 1 makes it clear that all public school authorities are authorized to conduct or contract for online learning for students enrolled in the school.

The unbundling provisions will assure that a student and his or her parents will be able to access all public school online learning opportunities, and have those courses paid as part of the student’s free public education. Online learning can be provided by and should be paid through an open entry/open exit. This may be a significant element in facilitating some students to accelerate their pace of learning.

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We may need to incorporate several new terms including: online course syllabus, online instructional program and online learning pupil.

After considering several options, we are not going to propose state control over online education course or prices, for the following reasons:

First, it is school authorities, not state government, that selects teachers, course content and other aspects of public education. In the rapidly changing area of online learning, schools, teachers and parents should not be hostage to some state agency to approve an online course or method of study. The state has created, through the Michigan Virtual University (MVU), a Center for Online Learning Research and Innovation that can be a valuable resource, but it should not be a gatekeeper for education innovation.

Second, online education resources vary widely in cost and should be expected to go down, as do most prices of technology services. In fact, many online resources are essentially free and can be bundled with on-site teachers for blended learning. Any formula imposed by statute would be fair to some and unfair to others. This is an area where school authorities (if they are independent) have the incentive to seek the best value for performance in online learning.

### ***Terminology***

Public education is fraught with terms with special meanings, or multiple meanings. And these terms have a significant effect on how a student is judged by the system. For example, what does “proficiency” mean (in plain English) and how does that differ from “mastery?”

### ***Early Graduation Scholarship***

In Draft 1, we have proposed the adoption of an “early graduation scholarship” process for students who are able to accelerate their successful completion of high school. This implementation of the “any pace” concept will facilitate funding for post-secondary education for high achieving students.

For example, an Open Entry/Open Exit (OE/OE) course is a self-paced educational alternative designed for students who can master course material without traditional classroom instruction. With no traditional lectures or regularly scheduled class, a student can complete a course in several weeks, a month, or a semester.

### ***Statewide Enrollment***

As part of eliminating the restrictions on enrollment based on residency, every student will be permitted to enroll in any public school without the necessary approval of his or her home district. But, the receiving school will retain its ability to control enrollment.

### ***Year Around School***

Peter Ruddell has included a concept to encourage year around schools to reduce the “summer loss” of many economically challenged students. The school would not be an extended school year, but a 180-day year spread out over 12 months, not 9. We are encouraged that the MEA sees value in another approach to this concept:

Research indicates that low-income and other “at-risk” students lose many of their educational gains during the summer breaks. Although it is too costly to convert all schools into year-round schools, it would be a cost-effective way to close the achievement gap. We propose offering access to free, high quality, year-round academic programs to at-risk students throughout the state.

### **Status**

We are reviewing constructive comments and improvements as we modify the first draft. The public comment period runs through December 14, 2012.

The initiative is based on Gov. Snyder’s constitutional duty to propose an annual budget to the legislature and it is the legislature’s duty to create and fund a system of free elementary and secondary public schools. We plan to submit a proposal to the Governor before Christmas.

This Memorandum will be posted on the [Oxfordfoundationmi.com](http://Oxfordfoundationmi.com) web site.

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