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ABSTRACT

Prior to 1971, a local district's eligibility to participate in Michigan's Compensatory Education Program was established on the basis of socioeconomic deprivation of the student body, the state legislature mandated the kind of expenditures that were allowable, and school district eligibility was determined annually. In 1971, the state board of education proposed a new three-year experimental program with the following elements: a direct measure of basic skills in reading and mathematics as the measure of eligibility, assurance of three-year funding, provision of funding adjustments to be determined by program success, provision for an annual evaluation of each pupil's progress to determine his level of attainment, extension of program discretion to the local school district, and provision for district funding as a means of providing flexibility to serve all pupils. Although the district accountability was never fully operational, it has been determined that school districts can be held accountable for educating the lowest achieving pupils and that additional money for educational programs in basic skills can result in higher attainment. Regardless of the conceptual framework of future programs, Michigan is likely to continue to use actual student achievement as the indicator of need and success. (Author/IRT)

ACHIEVEMENT BASED FUNDING: THE MICHIGAN EXPERIENCE WITH COMPENSATORY EDUCATION

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It is widely recognized that some children and youth have educational needs which are greater than those of others. The movement throughout the country generally referred to as Compensatory Education represents a fairly recent but massive effort to meet the needs of one group of students. Compensatory Education has been defined in many ways but nearly all definitions include some reference to improving the educational achievement of disadvantaged students.

In fiscal year 1975, at least nineteen states had ongoing Compensatory Education programs financed by State funds.[1] No two state funded programs are exactly alike in terms of funding procedures, determination of participants, or definition of services. Eight of the states distributed funds for some or all programs through competetive funding grants. Twelve of the states provided some or all of the funds through a formula based grant.[2]

Some of the programs defined disadvantaged students according to economic and/or cultural criteria somewhat similar to Title I of the Elementary and Secondary Education Act (ESEA I), others used a combination of economic/cultural criteria and achievement

criteria. Some programs focus on specific target groups such as dropouts while others provided services to a wider group of "disadvantaged" students.

Allocation of funds for Compensatory Education based on some documented or assumptive student need is common to all of the Compensatory Education Programs currently in existence. Allocation based on student need reflects the assumption that the special needs of pupils makes it desirable to provide the districts which must educate them with extra money beyond the general state aid funds and locally derived revenues. Such allocations usually consider both the relative concentration of needy students in some districts (though in some states all districts may participate) and the higher costs associated with programs designed to meet the needs of these students.

Each of the programs has developed procedures for defining eligible participants based on educational need. Some programs used economic, cultural and socio-economic factors for defining educational need. This method of determining eligible participants is patterned after ESEA I and is supported by some research which has shown a close relationship between socio-economic factors and achievement.[3] Another method of defining educational needs and eligible participants has been in terms of student achievement. In other words, educational need exists wherever average achievement levels of pupils are consistently and significantly below a specified level. This method uses a direct measure of

educational achievement rather than predictive measures as the means for determining the districts which are eligible to receive Compensatory Education funds and to determine the numbers of eligible students in each district. The Michigan Compensatory Education Program makes use of statewide educational assessment test results for this purpose.

Compensatory Education Programs in Michigan have been state funded since 1965. From 1965 to 1971, the total amount of money appropriated for Compensatory Education increased annually. Since 1971 the amount has remained constant at $22,500,000.

Prior to 1971, a local school district's eligibility to participate in Michigan's Compensatory Education Program was established on the basis of socio-economic deprivation of the student body. During this same period the State Legislature also mandated the kind of expenditures that were allowable, or in other words, established state supervision over local education agency programming for the state funded Compensatory Education Programs; further, school district eligibility for funds was redetermined annually.

In 1971 the State Board of Education proposed that a new three-year experimental program be initiated. The new program had the following elements designed to overcome perceived deficiencies in the previous program:

1. use of a direct measure of basic skills in reading and mathematics as the measure of educational need

(rather than proxy measures) to determine eligibility;

2. assurance of three year funding (rather than annual funding determination) for eligible districts;
3. provision for funding adjustments (rather than same level funding) to be determined by program success;
4. provision for and annual evaluation of each pupil's progress (rather than a summary program evaluation) to determine level of attainment;
5. extension of program discretion to the local school district (rather than detailed state guidelines) to determine use of Compensatory Education funds; and
6. provision for district funding (rather than school building level funding) as a means of providing flexibility to serve all pupils.

The State of Michigan in this experimental Compensatory Education Program attempted to answer two important propositions:

1. can school districts be held accountable for educating the lowest achieving pupils in schools, and
2. can additional money for educational programs in basic skills for low achieving pupils result in higher basic skills attainment by these pupils?

The program was designed in cooperation with several educators in the "Middle Cities" (a group of about eighteen city school

districts, excluding Detroit, in Michigan) with the intent of overcoming deficiencies in previous Compensatory Education Programs. There were practical as well as philosophic considerations which influenced the final program design.

The local school educators were primarily interested in attaining three things in the new Compensatory Education Program: (1) more money, (2) more discretion in the use of the money, and (3) greater assurance that money would be available for more than one year. Each of these was attained in the new legislation passed in 1971.

Local educators wanted more money, both, as allocated in total to the state program, and as allocated to serve each pupil. Whereas, in previous years the maximum amount allocated was sufficient to fund as few as 25 school districts, the new program was intended to fund every district with more than 15% of their K-6 pupils with basic skill needs (defined as scoring at the 15th percentile or lower on the norm referenced reading and mathematics state assessment tests), but at least 30 total pupils. Thus, several additional school districts would become eligible for funds.

Local educators wanted greater discretion in the use of Compensatory Education funds. Whereas, the previous state program restricted the use of funds, like the federal categorical aid program, the new program was devoid of constraints on the use of funds. As will be seen later, the emphasis was placed on demonstrated

improvement in pupil performance, rather than on careful accounting that funds had been used only for certain children to do certain things.

Lastly, local educators wanted assurance that funding would continue so that they could plan a multi-year program and a multi-year budget to support it. Whereas, the previous program required redetermination of eligibility each year, the new program gave districts assurance that they would remain eligible and receive funds for at least three years.

One other important practical consideration in redrawing the state Compensatory Education Program was a challenge in the courts to the eligibility criteria for the previous program. The previous program used six proxy measures of educational deprivation, e.g., ADC impact, family income, percent racial minority, etc., in the determination of district eligibility. The legal challenge questioned the use of the racial minority factor and maintained that the formula discriminated against several non-city school districts with few, if any, minority pupils. These districts did have great poverty and children in need of assistance in basic educational skills. Thus, the new program eliminated the use of proxy measures and substituted instead a direct test of the levels of basic skills attainment as the determiner of eligibility for Compensatory Education funds.

The more philosophical rationale for the experimental program included: (1) direct measurement of educational deficiencies,

(2) local district accountability for programs and pupil attainment, and (3) district level funding.

The Michigan Educational Assessment Program had been initiated by the State Board of Education two years previous to the plan for a new Compensatory Education Program. In fact, the legislation (Act 38 of the Public Acts of 1970) which provided authority for the State Assessment Program, directed that the State Board develop a program to remediate the basic skills deficiencies revealed in assessment results. Thus, both the means for direct measurement of pupil basic skills attainments statewide and the authority had already been provided. The experimental Compensatory Education Program was: to provide resources, to assist school district staffs, to provide assistance to children low in the basic skills of reading and mathematics. The best way, it was suggested, to channel the always limited financial resources to those sites most in need, i.e., with the greatest concentrations of low achievers, was to estimate the number of low achievers in basic skills in each school district. Whereas, the previous program used a proxy measure to estimate numbers of low achieving pupils, the new program used direct measurement of pupil attainment levels, i.e., the results of the state assessment. The position was that direct measurement through tests produced a more accurate statement of basic skills need. Further, it was a very appropriate use of test results, since the objectives imbedded in the tests closely matched the objectives of the Compensatory Education Program, i.e., reading and mathematics skills.

The second basic philosophical belief was that nearly all children irrespective of race, geographical location, economic status, etc., could attain basic reading and mathematic skills, and that school district staff, given additional financial resources, could design effective programs to achieve improved pupil performance in basic skills. Thus, the monies were provided without constraining guidelines so that local educators would have the freedom to design the Compensatory Education Program best for their school or district. However, the local staffs were held accountable for designing effective Compensatory Education Programs which would result in improved pupil achievement in reading and mathematics. Should improved achievement not be attained for all students the district would lose some of the funds. This reflected both the philosophic position that districts should not be rewarded for continued failure with students and the practical consideration of scarcity funds. Money always being scarce, it was proposed that this money be returned to the state so that an eligible but non-funded district could implement a program or so the money could be reallocated for another worthy public service. In other words, the legislature was responding to local educators who were saying; if only we had more resources we could improve learning. But the legislature was also saying, unless you are effective and deliver on your promise there will be less money.

The third philosophic belief was that pupils in need should be provided services irrespective of the school attended, and the funds should follow the student. When funding is provided only for "target" schools within a district, students attending "non-target" schools are not afforded compensatory services. Worse yet is the situation where a pupil transfers during the school year from a "target" to a "non-target" school and as a result loses services. The new program by providing funding with discretion at the district level made it possible to provide services in all schools of a district.

The concept of the Chapter 3 Program was simple. Provide State Compensatory Education funds to the districts with the largest proportions of needy children, but on the condition that districts agree to improve each participant's performance. Each district was to receive full funding ($200 for each eligible student) the first year (1971-72); second year funding was to be based on the first year's performance and third year funding based on the performance of students during the second year. Districts were to select the participants based on criteria established by the state. Those selected were to remain in the program for three years or until they left the district or graduated from the sixth grade. Districts were given great latitude in spending the funds based on specific locally developed objectives and an evaluation design approved by the state. In the next year, each district would receive the full allocation for each student who achieved

75 percent of the agreed upon objectives. For each pupil achieving less than 75 percent, the district received a lesser amount, proportionate to the gains achieved.

Thus, the Chapter 3 Program seemed to have everything going for it. Since funds were not available for all needy students, those districts with the largest proportions of needy students received funds, districts were to be held accountable for student performance, districts maintained considerable leeway in how the funds were to be used. But, implementing the concept into practice proved to be very difficult.

The first problem faced by local and state administrators was the issue of fiscal accountability. The state legislature was unusually late in passing the State School Aid Act in 1971, thus funds were not available until October, 1971 for the first year of the program (1971-72). The mechanics of start-up caused many of the local programs to be initiated as late as January, 1972. Further, rules and regulations for operation and evaluation of the programs were still being developed. Districts needed time to make the program operational and to establish record keeping and reporting procedures.

> As a result, the state agency was hit with a barrage of objections that implementing the accountability provision...(in 1972-73)...would be unfair. Apart from the late start and general uncertainity, it was argued that if less money flowed the next year, newly hired staff would have to be fired and children would receive fewer services.

The fiscal accountability provision was suddenly being cast in an apparently punitive role. In June, 1972 the legislature passed a one-year waiver of the fiscal accountability provision. Districts were guaranteed the full allocation for each student in 1972-73.

Data for 1972-73 indicated that $17,718,732 of the total $22,500,000 appropriation were "earned" for the 1973-74 school year.[5] Faced with a loss of nearly 5 million dollars districts again lobbied for a waiver of the fiscal accountability provision. For the 1973-74 school year the legislation was revised to make it possible for districts to apply for return of a portion of the "unearned" money. In order to qualify for funding under this provision districts were required to modify their program for those students who failed to achieve the 75 percent level of accomplishment.[6] A measure of accountability was retained in the form of state directed program modification. Thus, for 1973-74, school districts were given the opportunity to recoup most of their potential losses. In 1974, the legislature extended the legislation for one year with no changes. Thus, the initial three year experiment was extended to a fourth year, but the fiscal accountability provision was never fully operational.

Another major problem faced by local and state officials was the establishment of a system of record-keeping and reporting on student achievement. Due to the fiscal accountability provisions of the law, it was necessary for the districts to report

pre- and post-test scores for each student (a total of 112,500) to the state. The necessary auditing and editing of data proved to be burdensome. However, by the third year of the program, the system operated fairly smoothly. In the first year data were missing or unreported for 17,913 students (15.8%). In 1973-74, the third year of the program, data were missing for only 1,647 (1.5%).

A third problem faced was one of continuing eligibility of districts. The program was initially funded for three years (later extended to a fourth year). Many of the districts not funded objected to being "locked out" of the program for that length of time.

In an earlier section of this paper it was stated that the answers to two important propositions were sought through the Chapter 3 program:

(1) can school districts be held accountable for educating the lowest achieving pupils in schools, and

(2) can additional money for educational programs in basic skills for low achieving pupils result in higher basic skills attainment by these pupils?

Despite the problems discussed in this paper, the answers to both of these questions are affirmative. The districts with the highest proportions of needy students were identified. These districts committed themselves to developing quality programs for these students based on specific performance

objectives in basic skills areas. Strategies were developed to provide services to these children regardless of the school they attend thus moving away from the "target" school concept. Most important of all, the program resulted in improved achievement for students served in the program. The program was, therefore, successful in accomplishing its major purposes regardless of the political and practical constraints which were encountered.

In the late summer of 1975 the legislature passed a revision of Chapter 3. For the 1975-76 school year, eligible districts were still determined by use of the mathematics and reading portions of the Michigan Educational Assessment tests, however, the fiscal accountability provisions were eliminated from the Act. Also eligibility of districts was for one year only. Consequently, it is possible that some districts which are eligible for 1975-76 will not receive funds in 1976-77.

The future concept of Chapter 3 remains to be seen. The use of achievement scores to determine eligibility of districts is likely to be continued. Indeed, the Executive Office, the Legislature and the State Board of Education are in basic agreement that this is the most appropriate way to determine eligibility of districts.

Though the fiscal accountability provision is missing from the 1975-76 Act, many still believe that some incentive based on achievement of participating students is viable. Perhaps the same sort of provision as was previously in the Act (sometimes

called negative achievement funding) will be counter balanced by a "bonus" provision based on high pupil achievement (sometimes called positive achievement funding).

Those who believe the "money makes a difference" are suggesting initial funding differential based on student achievement. That is, districts would receive more money for students with initial scores which are unusually low and would be required to spend larger amounts on those students.

It also remains to be seen whether or not future versions of Chapter 3 will require reporting of individual pupil data or if aggregated data, perhaps at the building level would be appropriate. This decision will depend upon the type of fiscal accountability provisions which are developed.

Finally, the issue of stability of funding is likely to be a consideration. Some believe that every district should have an opportunity to receive funds each year rather than having to wait two or three years. The 1975-76 program reflects that point of view. The opposing viewpoint is that it is economically costly and inefficient to have districts develop a program during one year only to face the possibility of losing funds the next year.

Regardless of the conceptual framework of future programs, the Compensatory Education Program in Michigan is likely to represent a firm commitment to identify and serve students with the greatest needs for improved achievement in the basic skills

using actual achievement of pupils as the indicator of need and of success.

FOOTNOTES

1 State Compensatory Education Programs (Washington, D.C.: DHEW Publication No. (OE) 75-07107, U.S. Government Printing Office, 1975), p. 11.

2 Ibid, pp. 8-9.

3 Walter I. Garms and Marck C. Smith, Development of a Measure of Educational Need and Its Use in a State School Aid Formula, Staff Study Number 4, (Albany, New York: New York Educational Conference Board), 1969, p. 7.

4 Jerome T. Murphy and David K. Cohen, "Accountability in Education--The Michigan Experience," The Public Interest, 36 (Summer, 1974), 76.

5 Michigan Department of Education, A Description and Evaluation of Chapter 3 State Compensatory Education Programs, Lansing, Michigan: The Department, 1974), p. 31.

6 Ibid., pp. 32-33.