

Education

Date: July 1, 2014
To: Hewlett Foundation Board of Directors
From: Barbara Chow
Subject: Education Program Data Analysis Memo

Background

During the last ten years, the Education Program has sought to take advantage of key windows of opportunity to advance the education system, as a whole, toward better student outcomes. Anticipating and capitalizing on these windows has been important because education is a conservative field—resistant to anything but incremental change, yet bombarded by reform efforts. It is also decentralized, with policymaking spread among national, state, and local governments, making it difficult to identify leverage points to create widespread, sustainable improvement. Lastly, there is little agreement within the sector on goals and indicators of progress; where agreement does exist, it is often quickly politicized and short-lived.

While reform that has lasting impact is difficult to achieve, it has occurred at key moments, such as the improvements in science education and the design of high schools after Sputnik or the move in the 1990s to track student progress and equitably deliver standards-based instruction spurred on by “A Nation at Risk.” Over the past decade, the Education Program has acted on the belief that we can effect change by seizing on two powerful drivers: the rise of the Internet, which can democratize access to education through Open Educational Resources (OER); and the escalation of the Information Age, which calls for reshaping the purposes of schooling to deliver deeper learning. Our grantmaking takes into account the immense complexity of the education sector and its lack of capacity. We recognize that the most effective reform strategies combine federal and state policy shifts with innovations in practice, including support of new models and field building.

Analysis of the Program’s trends in grantmaking shows that we have succeeded in seizing reform windows when they have opened. The context in which we work, however, has required the Education Program to make somewhat shorter, smaller awards, while maintaining a steady number of annual grants, and to give fewer pure-form general operating support (GOS) grants as a percentage of both dollars and grants. While somewhat different from the Foundation’s other programs in this respect, the difference is, in fact, less significant than it seems—at least in respect to GOS—due to a perceived difference in the way we have been coding “general program support.” When we adopt the definitions used by the other Foundation programs, the Education Program is similar in terms of its use of general support grants.

The discussion below looks back at the prior decade of grantmaking. Our analysis reveals more fully how changes in our strategy and budget drove our grantmaking, unpacks key details within the trends, and identifies what we have learned from the data. It also outlines what we are doing as our strategies mature, including shifting more toward the Hewlett Foundation norm of making larger, longer grants to a more stable set of partners, many of which receive general support in addition to project-specific investments.

I. Changes in Strategy and Budget

Two changes have shaped trends in the Education Program's grantmaking. First, there were significant shifts in our strategic focus brought about by technology and changing economic and policy conditions, including the unprecedented national adoption of a new set of common educational standards. Second, our budget went through major fluctuations, rising and then falling rapidly and only stabilizing in the past several years.

A. Shifts in Strategy

1. History

From 2004 to 2009, the Education Program focused on three core objectives: improving student achievement, growing OER, and supporting California education policy reform. All three strategies shifted significantly at about the same time.

In 2007, we tied off the Improving Student Achievement strategy. In OER, after an initial phase of field building from 2002 to 2011, we refined the strategy to concentrate on mainstream adoption. We changed our California work from direct grantmaking to funding through a third-party fiscal sponsor, Rockefeller Philanthropy Advisors, which allowed us to maintain a strong presence in the state when we launched our new national, systemic Deeper Learning reform strategy in 2010.

2. Grantmaking Stages

Our 2002–2011 sustained effort at field building in OER generated worldwide interest and capacity and fostered a critical mass of advocates and practitioners. The next step was to increase OER's impact on the education system as a whole while securing long-term stability. So, beginning in 2011, our strategic focus shifted to promoting the adoption of OER in mainstream education. This move capitalized on both the Obama Administration's appointment of senior internal champions in the federal government and the national economic contraction, which drew greater attention to OER because of its promise of high-quality instructional materials (such as open textbooks) at a much lower cost.

The launch of the Deeper Learning strategy took advantage of new opportunities as well. A major policy window opened in 2009 when forty-six states agreed, for the first time, to adopt a common set of more rigorous academic goals, called the Common Core State Standards, as well as related assessments that incorporate many deeper learning competencies. State action on the Common Core was bolstered when the Obama Administration provided \$100 billion for education in stimulus funding—an unprecedented sum—to focus on scalable, systemic education reform.

The Deeper Learning strategy adopted a phased approach, with four planned stages from 2010 to 2017:

- Exploratory Grantmaking (2010–2012): As we built a nascent field around the concept of deeper learning, found leverage points, and tested our theory of action, we awarded mainly shorter-term project grants to new grantees.
- Mid-Course Review (2013): We externally reviewed our progress, determined which sub-strategies had the greatest potential, surfaced the clearest risks to success, and began to tie off areas of work and associated grantees. This allowed us to focus on intensive partnerships with those organizations best aligned with those sub-strategies most likely to achieve our goals and most capable of effective execution.
- Focused Portfolio (2014–2017): Our grantmaking is currently shifting to fewer, longer-term grants, including more general program support, renewals, and GOS.
- Strategy Evaluation (2016–2017): We will conduct an evaluation of the first seven years of the Deeper Learning strategy, which will lay the groundwork for the next broad phase of activity.

3. Results

Two external analyses have validated that we are on track to meet our strategic goals. The Boston Consulting Group conducted an analysis of OER comparable to technology reforms. The results show early evidence of acceptance and adoption, suggesting that OER is moving along an established innovation “maturity curve” and on track to becoming sustainable beyond the Foundation’s investments.

The Bridgespan Group’s mid-course review of the Deeper Learning strategy revealed that the Education Program is “solidly on track” to see as many as 20 million students (38 percent of K–12 enrollment) tested with fidelity to critical deeper learning competencies by 2017. The Bridgespan evaluation also noted that the work to define and advance deeper learning skills is beginning to “shape how the education field thinks about what is required for students to succeed in twenty-first-century college, work, and civic life.”

B. Budget Changes

In addition to undergoing significant changes in its subcomponent strategies over the past decade, the Education Program—along with all the Foundation’s programs—has experienced dramatic financial fluctuations that have greatly affected grantmaking. As the Hewlett Foundation’s endowment surged in the mid-2000s, the Program’s budget rose from \$31 million in 2004 to \$55 million in 2007. The ensuing economic contraction in 2008 led to a sizable drop in the endowment and the Program’s budget; since 2011, our available funding has stabilized at roughly \$34 million annually.

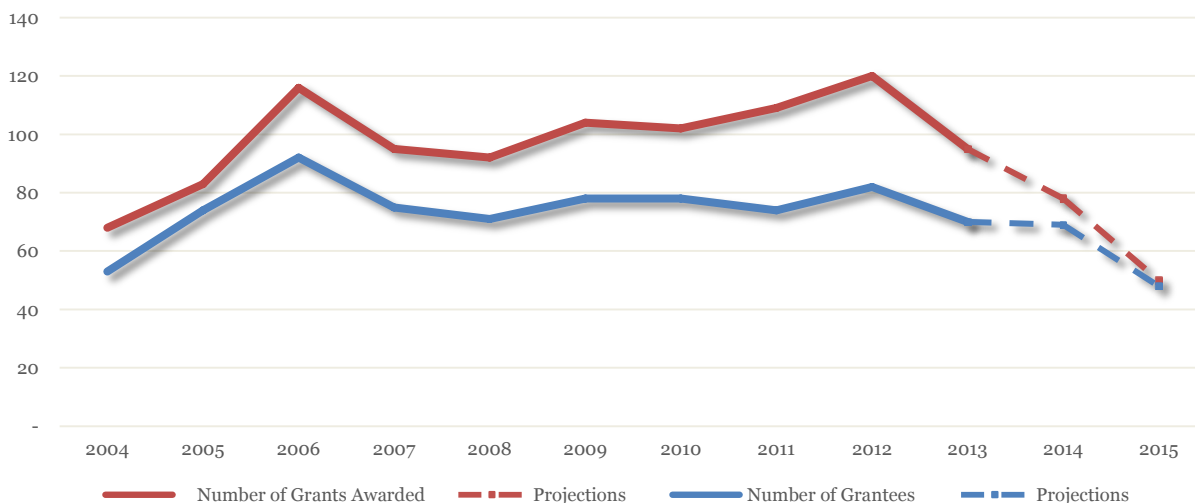
II. Analysis of the Implications of Strategy and Budget Factors

The strategy and budget factors discussed in Section I had direct, intertwined effects on grant trends from 2004-2013.

A. Grant and Grantee Quantity

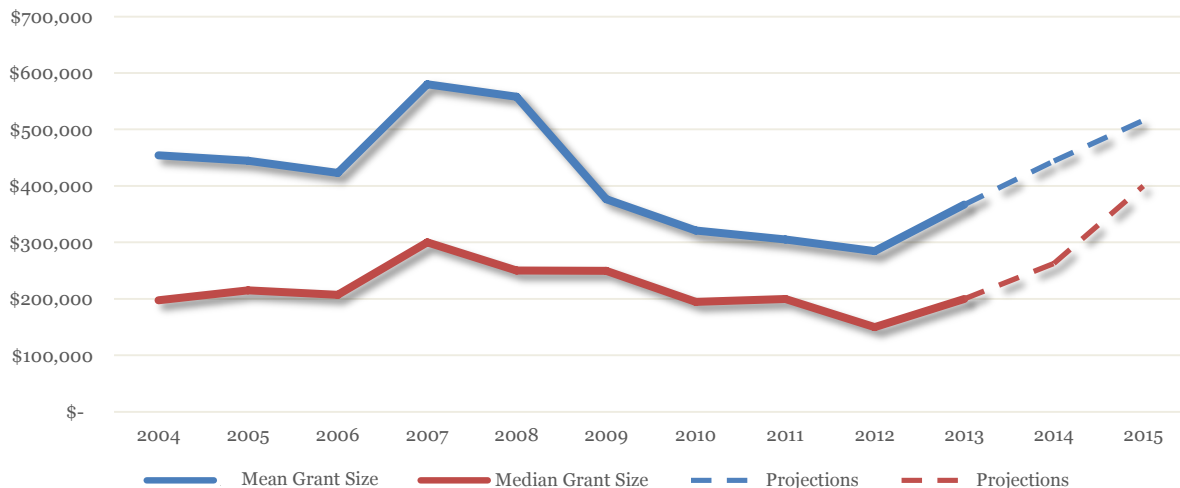
We have maintained roughly the same number of grantees—about seventy-five per year—and a relatively stable number of grants—90 to 120 per year (see Figure 1). This is because opposing trends in our OER and Deeper Learning strategies balanced each other out. On the one hand, as the OER portfolio matured steadily and gradually, the number of grants and grantees has fallen. On the other hand, the Deeper Learning portfolio, which represents a larger share of the budget, went through a planned phase of exploratory grantmaking, which drove a slight recent upward trend in the total number of grants and grantees. Looking forward, we expect our total number of grantees to decline slightly as we increasingly focus both portfolios on the most important areas of work for strategic success and the most highly aligned and capable partners (see projections for 2014–2015).

Figure 1: Number of Grants and Grantees



B. Grant Size

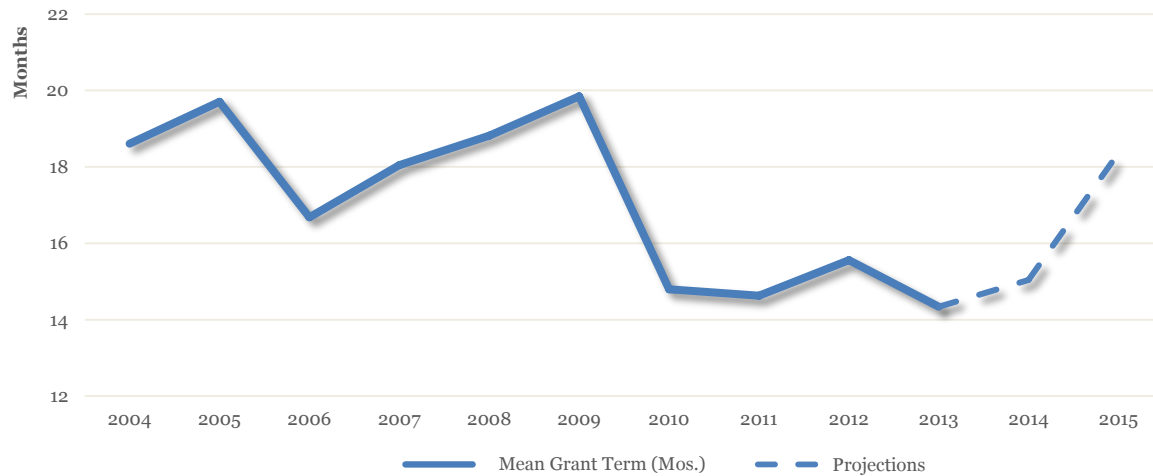
Overall, we have maintained a fairly steady level of funding to our “typical” grantee despite budget changes (see Figure 2). Indeed, from 2004 to 2013, the *median* grant size—the level of support that the grantee at the “midpoint” of funding receives—remained roughly constant, fluctuating around \$215,000 (though it did decline slightly from 2007 to 2012). The majority of our grantees indicated in the 2013 Grantee Perception Report (GPR) that they feel a strong level of support and believe the amount of funding they receive is high relative to the effort they expend on proposal and reporting requirements.

Figure 2: Mean Grant Size and Median Grant Size

Our most significant decision, in response to the budget decline in 2008, was to reduce the *mean* grant size (blue line). We significantly curtailed the number of large grants (\$2 million or more), providing twenty-two such grants from 2004 through 2008, but only six in the years thereafter. Reducing the number of large grants has eliminated the marked discrepancy between the *mean* grant size and the more stable *median* grant size. As a result, in the past few years the two measures have converged and tracked each other more closely. Looking forward, we expect to make larger grants to a smaller set of partners (see projections for 2014–2015).

C. Grant Term

The Education Program has generally awarded grants with slightly shorter terms than the Foundation norm. Before 2008, the average grant fluctuated around eighteen months; more recently, it has been closer to fifteen months (see Figure 3).

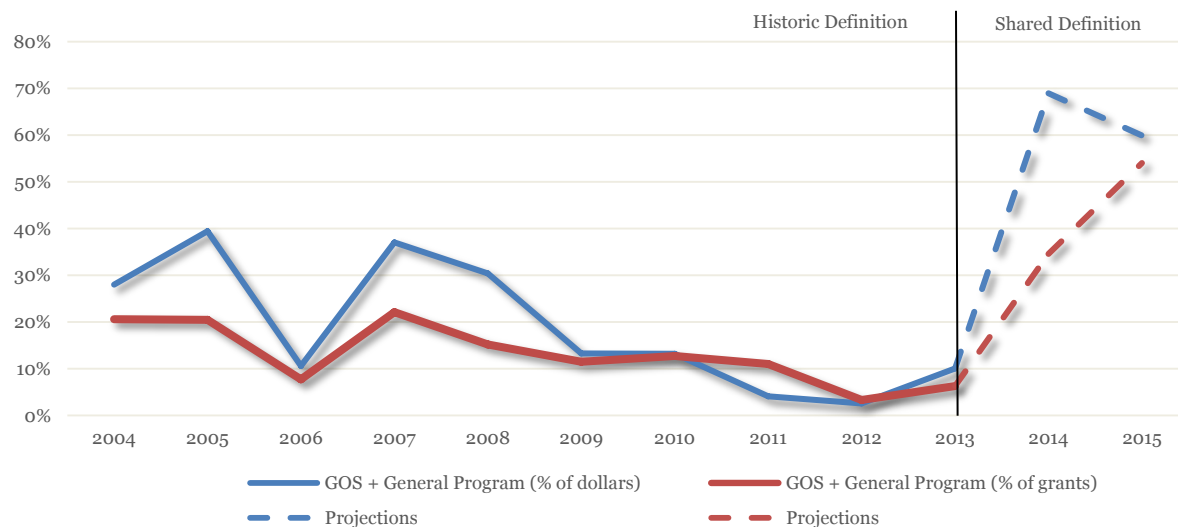
Figure 3: Mean Grant Term

The reduction in grant terms, in both the OER and Deeper Learning portfolios, was largely the result of the budget cuts. To continue to support our grantees and maintain a stable median grant size, the average term had to fall. In the nascent Deeper Learning portfolio, where we necessarily awarded a larger number of short, exploratory project grants, we mitigated risk by identifying potential leverage points and determining a grantee's alignment with our strategy before making longer-term commitments. Looking forward, we expect our grant duration to trend back upward (see projections for 2014–2015).

D. Grant Type

The Education Program's historic data analysis shows an apparent decline in the combined percentage of GOS and program grants (see Figure 4), but this perceived trend results from both strategy and idiosyncratic coding. In our core strategies, we had good reasons to favor project grants over GOS, at least for a time, regardless of grant size or duration. In the case of OER, we used high-leverage, targeted project grants to incorporate OER into existing recognized brands and networks, such as MIT and UNESCO. In our Deeper Learning component, the use of other grant types was driven by a relative lack of highly aligned actors during the first phase of our strategy, before deeper learning had begun to take root both as a concept in the field and as an explicit goal of our grantees.

**Figure 4: General Operating Support and General Program
(% of dollars, % of grants)**



This trend, however, is also explained in large part by our method of coding grants, as we applied a much more conservative definition of general program support than other Foundation programs. To date, we have coded the majority of our grants as “project” unless they were GOS, as defined by the IRS. For example, in 2013 we reported *no* general program grants even though 55 percent of our grants would fall in this category if we recognized the Foundation’s category of general program support. Recoding would result in a combined GOS and general program rate of 65 percent of our grants budget for 2013, which is the Foundation average.

Furthermore, as a result of our maturing portfolios and the stronger alignment we have established with grantees, we have more recently increased the number of GOS and general program grants; in 2013, the OER portfolio was made up of 27 percent GOS grants, up from 8 percent in the previous year. Looking forward, we expect the upward trend in both components to continue—both as a result of these maturing strategies and because we plan to norm our coding practices to the rest of the Foundation (see projections for 2014–2015).

III. What We Are Learning

Along with this analysis of grantmaking trends, we have closely considered what our grantees are telling us about our interactions with them and about our role in the field. We have gleaned two key sets of insights from the recent Center for Effective Philanthropy (CEP) survey.

On the positive side, our grantees value the relationships they have with us. In the 2013 Grantee Perception Report (GPR), grantees gave us positive marks for establishing and maintaining strong, stable funder-grantee relationships. They perceive us as knowledgeable about the field and about policy, particularly in OER, where we rate in the top quartile across all four indicators of impact on the field. Our grantees also find us approachable, rating us in the top quartile as to how comfortable they feel coming to us when problems arise. In addition, they

report a high dollar return on the effort expended on proposals and reporting requirements and view their efforts as appropriate in relation to our level of funding. We were also pleased to see that the median number of hours grantees spend on proposals and reports has dropped significantly, from ninety and eighty hours in the previous two surveys, to sixty hours currently.

Less positively, we learned that our grantmaking in this transitional phase has posed some challenges for our grantees. For example, awarding shorter-term grants in Deeper Learning hampered some grantees' ability to make plans and develop their internal capacity and reputation in the field. We also speculate that the lack of longer-term funding could have made it more difficult for grantees to respond nimbly and adapt to rapid changes in the external environment.

We also recognize that making shorter-term grants to a large set of grantees puts pressure on the program staff and the Foundation's administrative systems alike, which could negatively impact our relationships with our grantees. Despite our grantees' willingness to come to us with problems, we rated in the lowest quartile for responsiveness to their queries. The GPR also indicates several areas in which we rank lower than our colleagues: our understanding of their goals and strategies, how clearly we communicate *our* goals and strategies, and their sense of our impact on their organizations. Importantly, however, GPR data shows that the Education Program gives a significantly higher percentage of its grants to institutions with large budgets (60 percent versus the Hewlett average of 40 percent), which accounts for its lower impact on those organizations.

In some ways, these challenges can be seen as growing pains in connection with new initiatives that are focused on nationwide system change and require significant field building. We plan to continue to think strategically about our relationships with our grantees as our strategies mature.

IV. What We Are Doing Next

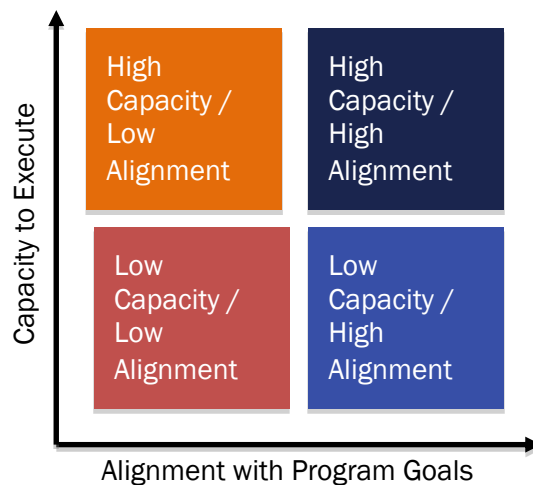
With the return of budget stability and our shift toward more mature, focused phases of both components, we anticipate developing a portfolio that reflects fewer, strongly aligned grantees receiving larger, longer-term awards; an attendant rise in the percentage of general support; and stronger relationships with grantees.

Taking into consideration our revised OER focus on mainstream adoption and a maturing Deeper Learning agenda, we have examined our portfolio along the dimensions in the matrix below (see Figure 5), asking "Do grantees demonstrably seek to do work in line with our goals, in sub-strategies likely to succeed?" and "Can they do the work?" In partnership with our grantees, we have established shared goals for measurable progress, and, with the support of evaluators, we are working to:

- Identify those grantees in the high-capacity/high-alignment quadrant (dark blue) that are able to serve as anchor grantees, supported by a mix of GOS and larger/longer grants as appropriate;

- Help those grantees in the high-capacity/low-alignment quadrant (orange) explore the potential for increased overlap and move from better understanding OER and Deeper Learning toward advocating for them;
- Build the internal ability of those grantees in the low-capacity/high-alignment quadrant (blue) to better execute our shared goals; and
- Identify those grantees that have stayed in the low-capacity/low-alignment quadrant over time (red) and tie them off.

Figure 5: Alignment and Capacity



A. Evolving Toward a Mature Portfolio

To allocate more resources for core grantees, we will begin to reduce our total number of partners. Informed by recent evaluations of our strategic sub-components, we recommended tying off some areas of our strategy and a number of associated grantees in the March 2014 docket and made additional recommendations in the July 2014 docket. With a relatively stable budget, we are also moving to provide our core anchor grantees with longer, multiyear funding awards.

We plan to increase GOS in three scenarios. First, GOS is appropriate for grantees that have clearly indicated alignment with our Program goals and demonstrated their capacity to execute. Second, as our grant quantity analysis reveals, some grantees receive multiple project and program grants when they would be better served with GOS. Third, given the fluid policy and political environment in which our work unfolds, GOS awards would allow some grantees greater flexibility to react to changes in the field and be more adaptive.

Within the OER portfolio, we have made a concerted effort to convert project-focused grants to GOS where appropriate. As more OER organizations have stabilized operations, foci, and leadership teams, we feel more confident about this transition in funding. Additionally, in

both components, we will work to more consistently code our general program grants to conform to the definition used across the Foundation.

B. Strengthening Our Relationships with Grantees

We anticipate these grantmaking changes will result in stronger relationships and more closely aligned objectives with our grantees. However, we are also directly confronting concerns raised in the GPR in three ways. First, we want to overcome the communication challenges that led to a lack of understanding of our Deeper Learning goals and strategies among our grantees. In April, we hosted group discussions culminating in a two-day workshop with our anchor grantees to collaboratively develop common goals and metrics for measuring progress. The grantee response to these discussions was overwhelmingly positive.

Second, focusing on feedback regarding contact with program staff, we are establishing improved norms for response time to grantee inquiries. Further, we are increasing our site visits in order to better understand grantee goals and strategies. Lastly, while the administrative burden on grantees has fallen, it remains higher than we would like, particularly in the OER portfolio. We have streamlined our proposal template and are exploring ways to improve our administration and reporting requirements by, for example, establishing better norms for scheduling discussions of interim and final reports with grantees.

V. Conclusion

Driven by changes in strategy, budget, and the external environment, our grantmaking has changed in important ways over the last ten years. For the most part, we reduced the number of very large grants, shortened our grant terms, and favored project- and program-based support. Through these strategies, we built and deepened the field and developed stronger alignment among our grantees, allowing us to progress toward our goals, as confirmed by analyses conducted by Bridgespan and Boston Consulting Group. At the same time, however, our strategic decisions created challenges for our grantees and taught us lessons that we will carry into the next phase of grantmaking. Looking forward, we will focus our resources on a tighter, core set of well-aligned grantees by supporting them with larger, longer-term grants and more GOS, and by paying close attention to strengthening relationships and improving communication.