Insight

Performance Based Funding: An Issue Beyond School Choice that Should be Examined During the DeVos Confirmation

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As Secretary of Education-nominee Betsy DeVos is poised to appear at her Senate confirmation hearing, there is a policy issue of critical importance to consider. Performance-based funding, or pay-for-success, is a radical departure from the status quo that is bipartisan and complimentary to ascendant school choice policy.

Informed by actions taken by a number of states, DeVos should advocate for — and seek policy opportunities to — introduce results-based expectations into federal programs and school choice proposals. By tying educational programs to measures of achievement, the new leadership at the U.S. Department of Education can revolutionize education policy and funding.

The total annual expenditure on U.S. public elementary and secondary education is over $600 billion – 5.2 percent of the nation's GDP. This is not sustainable at the present, relatively low levels of productivity.

Results on the National Assessment of Educational Progress (known as the Nation's Report Card) continue to be essentially flat (or declining) over the last 20 years in fourth- and eighth-grade reading and math, despite a near doubling in total federal, state and local spending.

Recent results from major international exams showing continued weak performance by U.S. students further confirm the performance challenges of an education sector that enjoys some of the highest spending globally.

In this era of uncertain economies, with budgets tight across most communities, new thinking about how to fund public education is absolutely needed. The current system, which allocates funding almost entirely upon student enrollment and irrespective of results, misaligns incentives, accepts weak performance, and diminishes the imperative for better educational outcomes.

Arizona, Michigan, Pennsylvania and Florida have all moved to performance-based funding models. Utah and Colorado utilize pay-for-success approaches called social impact bonds. Now the federal government is following the states' lead. In the recently enacted Every Student Succeeds Act, there is promising innovation in two, small pay-for-success policies. And, the current Obama Administration has, somewhat surprisingly, used an existing early childhood grant competition to implement a pay-for-success initiative.

There are other opportunities as well. Working with Congress, DeVos could introduce performance-based funding into Title I funding formulas. Title I of the ESEA is the largest K-12 investment by the federal government. Title I was envisaged as a bargain where a significant investment of federal dollars for students in poverty is exchanged for significantly improved outcomes for those students. Yet, too often, Title I funds automatically go to low performing schools year after year, giving them little pressure to improve. After all, policy without financial incentive is merely a suggestion; policy with performance funding is an irresistible force.

These different approaches share the common-sense notion that public funding should go to those programs that are clearly demonstrating their impact through rigorous, outcome-based performance measures. Funding schools based on performance can provide an effective launching pad for scaling initiatives and innovations that produce measurable results.

How a performance-based funding model is constructed is crucial; models that measure the academic growth of individual students over time are a key building block, because rewarding schools for point-in-time proficiency rates favors schools in wealthier communities where students typically start school ahead of their less well-off peers.

DeVos should not get stuck in a less vs. more debate about federal education funding. Providing additional resources does not necessarily result in student success; moving from inputs to outputs by focusing on measurable achievement has characterized the modern era of education reform. Funding schools and innovations that produce results should be an easily agreed upon, bipartisan goal.

Performance-based funding can provide a new approach to improving academic outcomes outside the traditional reform approaches, while addressing systemic inefficiency. Nowhere is this more needed than in the antiquated and convoluted Title I funding formulas in the ESEA.

The question is not whether we can afford innovative new approaches, but whether we can afford not to. Over time, funding that is provided based on outcomes can incentivize ongoing, improved performance of schools individually and systemically. Performance-based funding has gained traction in higher education, and it is time to consider how it can improve K-12 education.