



# Performance Based Funding: Options for the Education Conference Committee

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The House-Senate conference committee to reauthorize the Elementary and Secondary Education Act (ESEA) is set to meet in September. The last time there was a House-Senate ESEA conference committee was 14 years ago during consideration of the No Child Left Behind Act (NCLB).

This time, conferees will attempt to reconcile the vastly different bills from the House of Representatives, the [Student Success Act](#), and the Senate, the [Every Child Achieves Act](#). These bills are the latest attempt to update NCLB, which was designed to be rewritten in 2007, in the second half of the second term of the Bush presidency. Similarly, it is now the second half of the second term of the Obama Administration, but this time the political winds seem to be blowing more consistently in the direction of reauthorizing NCLB.

Congress should take this opportunity to do more than reduce the federal role in education policy and tinker around the edges. Moreover, the ESEA conference committee members 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. And while NCLB moved in this direction with its non-fiscal policy changes, it left the job unfinished by failing to factor achievement results into funding formulas.

As we know from previous conference committees, new policy is frequently drafted by conferees to achieve agreed upon policy objectives. To that end, how to effectively allocate resources should be considered. One approach would be to consider incorporating [Performance Based Funding](#) (PBF) into federal education policy by factoring achievement results into funding formulas. After all, policy without financial incentive is merely a suggestion; policy with funding is an irresistible force.

Title I of the ESEA is the single largest K-12 investment that the federal government makes. At the heart of the Title I program is a bargain: a significant investment of federal dollars for students in poverty coupled with a demand for significantly improved outcomes for those students. Yet, too often, Title I funds go to low performing schools year after year, giving them little pressure to improve.

There are [a number of ways](#) to incorporate PBF into the ESEA – especially Title I – and the following are a few of the different options Congress could take toward a truly revolutionary reauthorization.

The first and most far-reaching approach to adopt PBF is to revamp the Title I formulas, which would have greater potential to deliver long-term, positive results than the status quo. The most fundamental way to achieve performance-based funding in Title I of the ESEA would be to consolidate the four Title I formulas into two funding streams: one that provides the vast majority of funding through a student-centered, per-pupil allocation based on the actual number of poor students they serve, and one that rewards performance by allowing academically successful districts to gain funding by outperforming others in the state. Simplifying the Title I

formulas would create greater transparency and offer better accountability for federal funding.

Another approach would be to create a reservation, or set-aside, of Title I funds. This would allow states like Arizona, which is focusing on expanding or replicating very high performing low-income schools, to have access to some of these funds to drive performance.

Many advocates and policymakers have been trying to introduce this approach to the ESEA by allowing states to reserve a percentage of Title I funding to be directed toward statewide efforts to expand high performing, low income public district and charter schools.

Alternatively, policymakers could amend Section 1117 of current law, dealing with school support and recognition. This section contains the seeds of PBF that, with modification, could become another possible impactful way to incorporate PBF.

Yet another approach would be to create a pilot program utilizing Social Impact Bonds (SIBs), similar to an approach Colorado has taken. SIBs are set up to direct public funding to those institutions and programs that are clearly demonstrating their impact through rigorous results, thereby mitigating financial risk to the taxpayer, and providing an effective means for state and local governments to scale up successful innovations.

Incorporating a SIB into the ESEA would truly create a “Race to the Top,” unlike the current competitive grant program of the same name, which poured more money into the usual policy approaches and promises of improvement, rather than providing funding based on actual evidence of improvement.

These different ideas for incorporating PBF share the common-sense notion that public funding should go to those schools that are clearly demonstrating their impact through rigorous outcome-based performance measures. Further, PBF can provide an effective launching pad for scaling schools and innovations that produce results, which should be an easily agreed upon, bipartisan goal for the ESEA.

PBF 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.

For more details, see our recent paper on how to make PBF a reality in ESEA at:

<http://americanactionforum.org/research/showing-up-is-not-enough-performance-based-funding-in-federal-education-pol>