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Center for Education Policy Research
HARVARD UNIVERSITY

New Opportunity for Districts: Outcomes-Based Contracting Initiative

Working together for Student Success

School districts contract with private firms for a range of different types of services—educational software, curriculum, professional development, afterschool programs, and more. However, outcomes-based contracts remain rare in K-12 education, partly because student outcomes are not simply a function of the quality of the software or training or curriculum provided, but also involve the skill levels, the training, the time, and the incentives faced by school personnel and the level of engagement from students and families.

If districts and their contractors could make improving student outcomes the basis of their work together, we believe that both sides would benefit—school agencies would get more return for their dollars and contractors would have more opportunities to work with districts to develop novel services. Most importantly, students would benefit.

Nevertheless, to do so, school districts and their contractors need a playbook from which to work to develop such agreements—setting targets for student outcomes; agreeing on payment levels for successful and unsuccessful students; establishing clear contingencies for deliverables from district personnel and contractors.

Who We Are. For over a decade, the **Center for Education Policy Research (CEPR) at Harvard University** has worked with school agencies around the country to examine what educational strategies improve student outcomes. In our new initiative, CEPR will collaborate with **Professor Susan Athey, an expert on contracting at Stanford's Graduate School of Business, and Schmidt Futures**, a philanthropy, to support a set of school agencies and contractors to work through the details of an outcomes-based contract together.

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Goals of the Initiative

The goals of the Outcomes-Based Contracting Initiative (OBCI) are to use powerful market incentives to:

- ▼ Bring together schools and service providers (both for-profit and nonprofit) to find new ways of improving core academic outcomes;
- ▼ Provide schools with a reliable way to improve student achievement at a scalable cost; and,
- ▼ Unlock new R&D investment and attract new talent to the K-12 market.

Pilot: Mathematics

For the OBCI pilot, likely launching in 2021, we will target specific areas of mathematics selected by participating schools. Possible focus areas could include algebra or algebra readiness, with focus on preparing students who would otherwise begin Algebra 1 with a low chance of success, leading to a cycle of remediation and, for some, drop-out.

We will invite service providers and districts to partner to deliver *Augmented Tutoring*. We imagine the most likely version to be a combination of human tutoring or coaching and online personalized instruction. **Research has shown that tutoring, in one form or another, is a reliably impactful academic intervention.**¹ Some providers will begin from pure human tutoring and attempt to blend online learning without losing effectiveness. Others will begin from online instruction and aim to improve it through the incorporation of a human connection to the student. We make no attempt to pre-judge which will be the more successful path.

Although we are open to feedback, our current view of the division of responsibilities is:

- ▼ **Schools** will identify students who are appropriate for the initiative and make them available for tutoring.
- ▼ **Service providers** will agree to deliver services to identified students and to be paid, at least in part, only when students succeed—i.e., they do not receive *full* payment for a student unless and until that student reaches a pre-agreed benchmark. (The amounts and the contingencies for payment for students who are unsuccessful would need to be negotiated. Service providers will set intermediate milestones that will trigger payments similar to the way NASA did with the original SpaceX contract.²)
- ▼ **An OBCI intermediary** will (a) measure student outcomes and determine whether benchmarks have been met; (b) manage payments to service providers based on success criteria; and, (c) facilitate collaboration between schools and service providers.

¹ See for example VanLehn, K. (2011). The relative effectiveness of human tutoring, intelligent tutoring systems, and other tutoring systems. *Educational Psychologist*, 46(4), 197-221.

² See, for example, NASA. (2014). Commercial orbital transportation services: a new era in spaceflight (Vol. 617). Government Printing Office.

Eligible Partners

We are seeking up to five districts and up to five service providers to serve several thousand students across the participating districts. To participate:

- ▼ **Schools/districts** must demonstrate executive sponsorship and a credible plan to (a) make students available for the amount of time and in a location agreed with the service provider and (b) share data as needed for the initiative.
- ▼ **Service providers** must demonstrate (a) a credible plan and commitment of resources to achieve the target outcomes in a specific geography and (b) a willingness to measure results and engage in outcomes-based contracting.

COST

For the pilot, the majority of payments will be funded by philanthropy. In the long-term, funding will come from districts and states.

We anticipate the underlying cost for *augmented tutoring* to be between \$500 and \$2,000 per student. This may be higher than other school-based interventions, but the economic value to the student and society of succeeding versus failing in Algebra 1 is substantial.³



TIMELINE

We will kick off this project with four two-hour virtual workshops in the fall of 2020. From that point, we will determine participation, work plan elements, and next steps. We also anticipate roughly quarterly calls to understand progress and trouble-shoot, where needed. (Visit cepr.harvard.edu/obci to view agenda or RSVP).

Contact

If you are interested or have questions about this Outcomes-Based Contracting Initiative, please contact **Sarah Glover** at sarah_glover@gse.harvard.edu or **406-579-1817**. For more information, visit cepr.harvard.edu/obci.

³ See, for example, Belfield, C. and Levin, H. (2009). *Some Economic Consequences of Improving Mathematics Performance*. SRI International.