

Competency-Based Education & School Finance

Lessons from Online and Community-Based Courses

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INTRODUCTION

Competency-based education is an innovative education model which focuses on ensuring that students master content and skills. This stands in contrast to traditional education models that pass students onto new grades or courses after they have received a certain amount of instruction regardless of mastery. However, state funding for schools is based on the number of hours of instruction a student receives regardless of how much a student learns during that time. These seat-time rules create potential barriers to and disincentives for competency-based education.

What would a state funding system look like that is not based on hours of instruction? To answer this question, the Foundation for Excellence in Education (ExcelinEd) examined funding of online and community-based courses. These nontraditional learning experiences by their very nature run counter to the notion that students need to be physically present with a teacher during the regular school day for a set number of hours of instruction. As such, states funding these nontraditional learning opportunities have developed approaches that provide important lessons for states seeking to align their funding systems with competency-based education.

ExcelinEd conducted interviews to determine how leading states are funding nontraditional learning experiences and then hosted a workshop of national experts. This report summarizes the results of this research and offers recommendations for states.

KEY FINDINGS

State education funding systems stem from a century-old instructional model where teachers stand in front of a certain number of students and deliver content for a set number of hours. The money made available to schools in a state is based on the cost of providing this specific instructional model. As such, districts get state funds based on the *hours of instruction* a student receives.

Definition of “Instruction”

Online courses are exposing this antiquated notion of what “instruction” is and is not. Students and teachers are not in the same physical location. Students are not passively watching teachers deliver content. They are reviewing online content and taking online quizzes, while the teacher reviews progress and works individually and with groups of students who need support.

Colorado has a seemingly restrictive requirement that “instruction” must include teacher-pupil “contact.”¹ However, state program and finance leaders proactively worked together to provide clear guidance to schools offering online courses that “instruction” includes any time in which students are under the direction of and with real-time access to a teacher. This includes online instruction, while excluding traditional homework or students working independently with instructional software.²

An overly strict interpretation of “instruction” can also preclude state funding for community-placed learning opportunities, where students learn important skills needed to succeed in college and the work place. New

Hampshire seemingly has a restrictive requirement that “instruction” must be “under the direction of a teacher employed by the school district.”³ However, the state worked within its existing funding system to fund “extended learning opportunities” that take place through community partners, if a district’s teacher decides what credit has been earned based on the student’s mastery of district-determined competencies.⁴

These states and others are redefining “instruction” to mean a teacher’s facilitation of student learning of specific competencies, using a variety of delivery mechanisms and through various partners. This approach does not require an arbitrary distinction between the time students are working directly with teachers, with community partners, in groups or in self-directed activities. Teachers still play a central role; however, they facilitate and validate the learning of students, supported by technology and community partners.

Defining an “Hour”

Traditionally, states fund “hours” of instruction. If a student receives 600 hours of instruction during the year, and a full year is 900 hours, the state provides only two-thirds of the full-time equivalent of funding. States have exacting rules about how to count time between classes, at recess or in study halls. Elementary schools are typically allowed to use the master schedule that applies to all students. However, middle and high schools must count the hours of instruction for every individual student.

The use of a student’s schedule to determine hours of instruction creates challenges for online courses and community-based learning. Students may complete these experiences in more or fewer hours than in a traditional course. Also, as explained above, learning frequently takes place outside of the school building and not during traditional school hours.

Once again, leading states are working within the existing state funding system to accommodate these experiences. Florida funds online courses based on the *equivalent hours* a course would be scheduled in a brick-and-mortar school.⁵ The state has a statewide course directory which provides some assurances that the same course offered in two different schools covers the same content and skills.⁶ Similarly, Colorado allows schools to create an “equivalent” bell schedule for a student in which an online course counts as “if the student were taking the same or similar course offered at a brick and mortar school.” State funding is based on this mock schedule.⁷

Supporting Student Acceleration

Funding based on equivalent hours means that schools can receive full funding for a student who completes an online course, even if he or she does not receive a set number of hours of instruction. However, if a student finishes a traditional course more quickly, states do not provide full funding for that student. Instead, a school must offer the student instruction for the rest of the year to get a full funding amount. Yet, there are extra costs for a student to begin new material mid-year, in terms of providing another teacher or paying for an online course provider. So, the easiest and most affordable solution for a district is to not allow students to accelerate during the year.⁸

One alternative is to allow districts to get full funding once a student masters the content and skills in a course and then make the student eligible for more funding to take additional coursework. Idaho, for example, provides more than \$4,000 for students to take online courses beyond a full course load.⁹ Similarly, New Hampshire pays for students to take extra courses through the state’s online charter school, called VLACS.¹⁰

In both instances, the state is paying more for a single student; the student's resident district gets its full funding amount, and the online course provider also gets funding. However, the extra cost to the state is offset by having more students graduate on time and with college credits, i.e., the state does not have pay for a fifth year of high school and pays less for students in higher education. New Hampshire specifically considered these savings when choosing to pay for students to take additional courses through VLACS.¹¹

Of note, in Idaho and New Hampshire, a student's own district cannot get more than full-time funding for a single student. The extra funding can only go to an online course provider. This means that a district itself has no financial incentive to accelerate a student.

Ensuring Quality

If schools receive state funding based on student mastery instead of hours of instruction, a critical question is how to deter schools from passing students to get the money. Several states currently use completion-based funding for online courses. Florida funds the Florida Virtual School (FLVS) based on whether a student successfully completes a course with a passing grade.¹² Similarly, Texas pays districts for online courses only if students completes them.¹³ In Utah, 50 percent of the payment made by a student's home district to the district that provides an online course depends on timely and successful completion.¹⁴

In New Hampshire, VLACS is paid based on the percentage of course assignments completed. The school holds students to high standards, and the average student takes more than a semester to complete a semester-long course.¹⁵ An additional advantage of this partial-completion approach is that it recognizes that some students may not be able to complete a full, additional course during the same school year.

RECOMMENDATIONS AND NEXT STEPS

The experience of states funding online courses and community-based programs shows that it is possible to support competency-based education without having to fundamentally alter a state's funding system. States can proactively provide guidance to districts and schools on how they can work within the existing funding system.

Recommendations to States

1. Define "instruction" as a teacher's facilitation of student learning of specific competencies, using a variety of delivery mechanisms and through various partners.
2. Fund a course based on the equivalent hours it would normally be scheduled, with assurances that the course is covering the same skills and content.
3. Provide additional funding if students take more than a full course load, either through their own districts or a combination of course providers.
4. Support the establishment of state and/or district-determined competencies through which schools can determine whether mastery is achieved and/or credit is earned.
5. Fund schools, in whole or in part, based on students achieving competencies.

Next Steps

To encourage states to delink seat time and school funding, states likely need to understand the impact on the state budget, factoring in its spending on both K-12 and higher education and considering the long term—not just one fiscal year.

The experience of Florida is cautionary. Florida initially funded students to take additional courses through the FLVS without penalizing school districts. Faced with a short-term budget squeeze, the state capped funding for an individual student, forcing districts and FLVS to fight over a single funding amount for each student. Enrollment in FLVS plummeted. Unlike New Hampshire, Florida did not consider the full, long-term fiscal impact.¹⁶

Indeed, as competency-based education is implemented, additional students will likely need more time to achieve competencies. For example, 60 percent of students in Summit Public Schools, a high-performing network of charter schools, require a fifth year of high school to graduate. States pay for this additional year of school through their normal funding formulas.¹⁷ States can offset some of this extra cost by allowing students to take additional courses during the year. Also, by funding based on competencies, states can ask schools to absorb some of the cost of students needing more time. In New Hampshire, even if a student takes more than a semester to complete a course, VLACS only gets a semester's worth of funding.¹⁸

As such, it will help for states to undertake a fiscal impact analysis of implementing competency-based education and delinking funding from seat time.

ENDNOTES

- ¹ Colorado Department of Education, *Student October Count Resource Guide* (July 2016) at p. 5: <https://www.cde.state.co.us/cdefinance/studentoctobercountauditresourceguide-0>.
- ² Phone interview with Christina Jean, Director of Next Generation Learning, the Colorado Education Initiative (Aug. 22, 2016). Jean previously served as the Director of Innovation and Choice at the Colorado Department of Education.
- ³ New Hampshire, RSA §189:1-D: <http://www.gencourt.state.nh.us/rsa/html/XV/189/189-1-d.htm>
- ⁴ See <http://www.education.nh.gov/innovations/elo/>.
- ⁵ See Florida Department of Education, *FTE General Instructions 2015-16* at p. 43 <http://www.fldoe.org/core/fileparse.php/7508/urlt/2015-16-FTE-General-Instructions.pdf>.
- ⁶ See <http://www.fldoe.org/policy/articulation/ccd/2016-2017-course-directory.stml>.
- ⁷ Colorado Department of Education, *Student October Count Audit Resource Guide for 2016: Online Students*: <https://www.cde.state.co.us/cdefinance/studentoctoberauditresourceguideonlinestudents>
- ⁸ For a good analysis of the extra costs of converting to competency-based education in higher education, see Donna Desrochers and Richard Staisloff, rpk Group, *Competency-Based Education: A Study of Four New Models and Their Implications for Bending the Higher Education Cost Curve* (2016): http://rpkgroup.com/wp-content/uploads/2016/10/rpkgroup_cbe_business_model_report_20161018.pdf.
- ⁹ For more information about Idaho's Fast Forward program, see <http://www.sde.idaho.gov/student-engagement/advanced-ops/index.html>.
- ¹⁰ See Larry Miller et al., University of Kentucky Center for Innovation in Education, *Low-Stakes Completion-Based Funding: What Can We Learn from the School That Invented It?* (2016) at p. 6: <https://www.nmefoundation.org/getattachment/c3e6b457-5353-4c38-a680-d964cb564ae7/Completion-Based-Funding-6.pdf?ext=.pdf>.
- ¹¹ In-person interview with Steve Kossakoski, CEO, VLACS (Nov. 30, 2016).
- ¹² See Florida Department of Education, *FTE General Instructions 2015-16* at p. 42.
- ¹³ See Texas Education Agency, *2016-2017 Student Attendance Accounting Handbook*: <http://tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539609976>.
- ¹⁴ See https://le.utah.gov/xcode/Title53A/Chapter15/C53A-15-P12_1800010118000101.pdf.
- ¹⁵ Email interview with Larry Miller (Jan. 10, 2017).
- ¹⁶ In-person interview with Allyce Heflin, Southern Strategy Group, formerly Budget Chief for the Florida House of Representatives' Education Appropriations Committee (Nov. 30, 2016).
- ¹⁷ Email interview with Diane Tavenner, CEO, Summit Public Schools (Feb. 16, 2016).
- ¹⁸ See Larry Miller et al., University of Kentucky Center for Innovation in Education, *Low-Stakes Completion-Based Funding: What Can We Learn from the School That Invented It?* (2016) at p. 11: <https://www.nmefoundation.org/getattachment/c3e6b457-5353-4c38-a680-d964cb564ae7/Completion-Based-Funding-6.pdf?ext=.pdf>.