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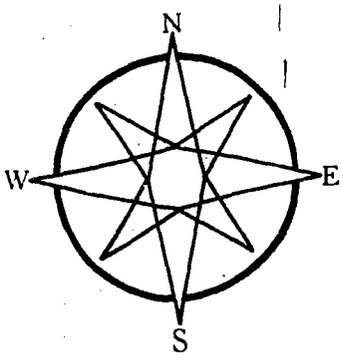
ABSTRACT

This paper presents the sum of both individual research and the five papers specially prepared for the Upper Midwestern Region Interstate Project Constracting Conference (Minneapolis, Minnesota, May 9-10, 1972.) In particular, the various sections that comprise the publication speak to those aspects of performance contracting suggested for the continuation study under a Minnesota-Wisconsin contractual agreement. This paper marks the completion of the continuation study. The major topics covered are a (1) status assessment of Performance Contracting, (2) Review and Analysis of Subjective Reports, (3) Review and Analysis of Rand Evaluation Reports, (4) Local School District Evaluation Reports, (5) Review and Analysis of Office of Economic Opportunity Evaluation Report, (6) Legal Implications and Complications in Performance Contracting, and (7) the Role of the State Educational Agency. The five conference papers and a 50-item bibliography conclude the presentation. (Author/EA)

Performance Contracting: A Balanced View



An Upper Midwestern Region Interstate Project Publication

PERFORMANCE CONTRACTING: A BALANCED VIEW

By

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Minnesota Department of Education

Wisconsin Department of Public Instruction
Madison 1973

INTERSTATE PROJECT
FOR STATE PLANNING

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This paper is presented as a fair, accurate, and reasonably complete analysis of performance contracting in education to date. It represents the sum of both individual research (November to June) and five papers specially prepared for the UMRIP Performance Contracting Conference in Minneapolis on May 9-10, 1972. All components relate to the aspects of performance contracting suggested for the continuation study in the Minnesota-Wisconsin contractual agreement.

The paper is presented in toto, to mark the completion of the continuation study. It is recommended that all five parts be included in any publication, since the unity of the paper is thematic, not physical. The size of this paper reflects the enormity of the tasks outlined in the above-mentioned agreement.

Many people have assisted the development of this report, too many to name. Special thanks to school administrators and teachers, learning firms, State Department of Education personnel, USOE and OEO officials for providing useful information. Special thanks to Gayle Anderson for guiding the study, to Gregory Waddick, Jack Lane and Dexter Magers for providing considerable latitude in doing the study, to Pat Tupper, John Adams, Paul Sommers, Arnold Jirik and Roy Anderson for thoughtful contributions. Finally, special thanks to the speakers and participants in the UMRIP conference for probing the topic seriously.

June 26, 1972 Richard R. Anderson

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CHAPTER I

A STATUS ASSESSMENT OF PERFORMANCE CONTRACTING

Performance contracting has already established a rich semantic tradition. For some people it signifies "hucksterism," for others a "hoax," and for still others "learning C.O.D." or "schools for profit." With equal ease, performance contracting implies free enterprise, a panacea, guaranteed-satisfaction-or-your-money-back, or a means to accountability. Attempts to demonstrate this technique have been dubbed "social experiments" or "quasi-experiments."

This history of performance contracting is both short and tempestuous. Many school districts entered into contracts of varying kinds, under differing conditions, which produced mixed results. Inadequate planning and preparation coupled with overly ambitious expectations often doomed projects to failure. Other projects were successful in producing results which generated cautious enthusiasm and support. The status of all performance contracting in school districts and of the agencies which entered into those contracts should be of critical concern to educators throughout the country. Only after possession of this information can school district personnel make dispassionate decisions concerning one of the most critical issues of our times.

Performance Contracting Defined

Basically, performance contracts differ little from "standard operating procedure," whereby school boards purchase goods and services. In form, however, these contracts have assumed a multitude of shapes. The contracted service in this instance is instruction. For this purpose school boards have engaged commercial educational companies or their own teachers and administrators. The former are called external contractors, the latter internal contractors.

The contractor guarantees to produce certain tangible results. He promised that students will learn and claims he can demonstrate this learning "gain" by comparing scores on a test at the beginning and at the end of the program. In turn, the contractor can use the means he considered necessary, within certain constraints.

The specifics of agreement between a contractor and the school board are drafted into legal form, hence the term "performance contract." The contract stipulates a minimum achievement level and measures payment according to the quality of job performed. To verify the results to the public, an outside evaluation or audit may be scheduled. If the accuracy of the results is attested, the contractor receives an amount of money scaled to the achievement of the students. By incorporating bonuses and penalty sums, the contracts depart from salaries traditionally tied to credentials and seniority.

For a working definition of performance contracting, it is useful to consider the one employed by Joan Webster, Director of Contract Learning in Grand Rapids Public Schools (Michigan): "A Performance contract is an agreement between a technical firm and the school system to produce specified results by a certain date using acceptable methods for a set fee."[1]

Turnkey, another concept that should be introduced, refers to operations started by an external contractor, but now carried on by the school with its own resources. The term is borrowed from the housing industry, where private firms built public housing projects and then turned the keys back to the public for administration.

Aims and Purposes

Performance contracting is an approach, not a formulized program. Ideally it is shaped by local conditions and therefore on the whole extremely diverse.

Nonetheless, there are certain parts common to most performance contracts. George Hall and James Stucker, authors of Part I of the Rand Report on performance contracting, stressed this point:

> "While most performance contracting programs are remedial, they generally use an individualized approach to learning and focus on reading and mathematics, they are far from uniform. They are heterogeneous with respect to student populations, incentives, contractors' backgrounds and approaches, program organization and objectives. . . .Consequently, judgments of one program may not apply to others."[2] (emphasis added)

Diversity is apparent in the aims and purposes of the various performance contracts. They have sprung from a society in need of remedies for flagrant human ailments. They testify to the tragic fact that masses of high school graduates are functionally illiterate. Drop-out rates are staggering in core poverty areas of major cities. As the Coleman Report -- Equality of Educational Opportunity -- indicated, disadvantaged students -- impoverished and neglected -- continue handicapped for life despite massive infusions of public monies into schools.

By addressing these chronic problems, performance contracts have tried to prevent drop-outs, to improve basic skills such as reading and mathematics, to improve motivations and attitudes, to train for vocations, and to educate mentally retarded children. In short, the projects have sought to compensate for the often crippling effects of poverty, racism and neglect.

The momentum for educational innovation is tied not only to the conscience, but also to the pocketbook. With finances emerging as schools' major problem, administrators are shopping -- "searching the marketplace," if you will. Their look to the outside reflects, in part, the urgency of the situation and the inadequacy of the present system.

The federal government has provided the principal financial support for performance contracts. Most notably, the Office of Economic Opportunity conducted a nation-wide experiment in 1970-71, involving close to $7.2 million. Other funds have been allocated through the Elementary and Secondary Education Act (ESEA - 1965), Titles I, III and VIII, and from Model Cities (HUD). State monies have been applied in Michigan, Colorado and now California. To a lesser degree, local resources have been used, especially in Gary, Indiana, Dallas, Texas (foundation money), and Portland, Oregon.

With money has come control. The broad range of fiscal sponsors has caused a variety of constraints for program operation (e.g. in Texarkana, Dallas and Grand Rapids). Hence, the financial circumstances must be weighed in assessing the course of events.

Performance Contracting in Development

Developments in performance contracting have been shrouded in controversy, not from the very beginning, but from the end of the first year 1969-70. At that time an audit of the instructional program declared that test results were "contaminated," a result of the contractor's "teaching the test." The scene of this scandal was Texarkana, Arkansas. The issue remains clouded, since no agreement has been reached on the percentage of test items actually taught.

The original goal of the Texarkana project was complex: to reduce the number of drop-outs, to assist in the desegregation process, and to improve reading and math skills. While labeled a "drop-out prevention program" (ESEA - VIII), Texarkana figured to measure its results indirectly, by test scores. Interim reports were glowing. (First thought to be representative scores, they, in fact, referred to the first students testing out of the

program.) As expectations soared, the stage was set for a great fall.

The shock waves from the Texarkana tremor shook the educational circles. Efforts were made both to revive performance contracting and to check its growth. To many people's surprise, the Texarkana controversy failed to stop the launching of the comprehensive Office of Economic Opportunity (OEO) experiment.

As the season passed, the results of Texarkana stood tall, although stripped of some laurels. Grade level gains in reading and mathematics seemed to be substantial. Moreover, the drop-out rate was almost wiped out -- only four students out of over 300 dropped out. Other fruits strewn about in the storm were improved attitudes among students, parents and teachers. Yet, some 600 newspapers and 60 journals castigated the contractor (Dorsett) for the newly-defined crime of "teaching the test."

Criticism of performance contracting had limited immediate effect. Along with the OEO experiment in twenty cities, over twenty other projects sprouted and shot up from the ground. In an assessment of one year of performance contracting, Reed Martin and Peter Briggs, then with Education Turnkey Systems, Inc., reported: "Fifteen firms are performing under 46 contracts dealing with 42000 students at a total cost of 9 1/2 million dollars."[3] They qualify this estimate, however: "Compared to all this activity and the confident predictions of $150 million in projects, the actuality seems almost meager."[4]

<u>1969-70</u> The first year of performance contracting in education displayed some of its inherent possibilities. While the Texarkana project involved grades 7-12, the Portland, Oregon, contracts were concerned with intermediate grades 4-8. (Subsequently, performance contracting embraced all of grades K-12.) The subjects taught were reading and mathematics -- both

basic skills. The target student populations ran from 55 to 300 plus students, with maximum payments ranging from $500 to $135,000 (out of a to- ontract award of $270,000). At Texarkana an outside educational firm was engaged, while at Portland, native teachers, singly or in groups, were engaged, some subcontracting for materials and equipment, others relying on "traditional" classroom methods. The students selected were deficient in skills appropriate to their grade level; hence, the instruction was remedial.

1970-71 In its second year performance contracting mushroomed from an initial six to overy fifty projects. A major portion of this number comprised the OEO program, an extensive experiment sparked by the Texarkana experience. This experiment concerned itself with the needs of a diverse student population -- black, white, Mexican-American, Indian, Puerto Rican, Eskimo and oriental -- all from poor and disadvantaged populations. The students were in grades 1-3 and 7-9; the subjects were again reading and mathematics, skills in which the vast majority were at least two grade levels behind or below the national average.

In seeking geographic as well as ethnic representation, the OEO project introduced two other factors -- urban/rural differences and state/regional differences. Thirteen of the twenty projects were set in urban areas -- from Anchorage, Alaska, to Jacksonville, Florida; from Las Vegas, Nevada to Portland, Maine. The dollar values of the eighteen external contracts ranged from $244,000 to $445,000 -- considerably higher than the initial performance contracts. (The projects in Mesa, Arizona, and Stockton, California, were technically separate from the others.) All told, the OEO effort involved 23,000 student participants (originally estimated to be 28,000).

To insure a variety of approaches to learning, six contractors were selected for the OEO experiment. These contractors were "based" in Georgia, New Mexico, Arkansas, Washington, D.C., and New York (2).

When Texarkana started up, there were ten contractors bidding competitively against each other. One year later, at least forty companies were in the market, most of them small. (One report has it that one school received proposals from 89 companies when bids were solicited.) Walter Thomas, formerly of Combined Motivation Education Systems (CO-MES), classified the companies into three types: 1) traditional school hardware manufacturers, 2) smaller, new corporations, and 3) traditional publishers. In the first two years of performance contracting (1969-71), there were at least nineteen contractors actually involved in contracts. Outlined according to the above classification, these firms were:

I	II	III
**Westinghouse Learning Corp.	Dorsett Educational Systems	*Educational Developmental Labs (McGraw-Hill)
Singer/Graflex Corp.	Learning Foundations	MacMillan Educational Services
New Century (Meredith)	Quality Education Development	
*Thiokol Chemical Corp.	*Plan Education Center	
*Hoffman Information Systems	Educational Solutions	
	**Alpha Learning Systems (Alpha II)	
	*Combined Motivation Education Systems	
	*Behavioral Research Labs	
	Learning Research Associates	
	Reading Foundation	
	*Betti-Kit Corporation	
	Learning Dynamics	

Of these companies, about half (9) were operating under performance contracts in 1971-72, two of them the result of company reorganization. (They are marked by single* and double ** respectively). The names of the new companies (group 2 above) gives an idea of the thrust of the movement -- a systematic approach to learning that takes into account behavioral psychology.

Through the years 1969-72 a total of 29 states experimented with this new technique. The largest number of contracts were negotiated in Virginia, Texas, Michigan, California and Oregon. In the Upper Midwest, only Ohio and Iowa were active in this area, each with one project. Aside from the OEO experiment described previously, the contract values varied from $500 to $640,000. With rare exception, most notably Gary, the contract was in effect for one year. The subjects contracted for instruction included reading; reading and math; all subjects (Jacksonville and Gary); occupational skills and motivation (Dallas and Shreveport); and reading, mathematics and drop-out prevention (Dallas). Student populations in the projects ranged in size from about 60 (Portland, Oregon, and Keokuk, Iowa) to 14,261 (Philadelphia) students.

A Catalog of Performance Contracts

What would seem to be a relatively easy task -- to identify all performance contracts to date -- is, to the contrary, exceedingly difficult. Frankly, the artifacts have been stored in many museums, some to rust away in obscurity. The written remains, a small but consequential portion, are filed away in schools or else reproduced indiscriminately. In addition, the contents have both public and proprietary value (for companies, institutions and individuals). As a result, a search for complete data must take many directions.

This report is based upon information supplied by schools, educational firms, evaluators, auditors, publishers, management support groups, state departments of education, OEO and United States Office of Education (USOE). First, it might be useful to relate the parameters of this search. Schools are not equipped or prepared to respond to the many and varied requests for information. Second, contractors promote those reports that show the greatest success

or promise the most business prospects. Publishers magnify those developments of greatest interest to the general public. State departments of education only occasionally receive reports on local expenditures of federal monies. (It might also be added that State Educational Agency (SEA) information provided on a questionnaire prepared in this study was generally incomplete, sometimes inaccurate, yet always useful.) Finally, USOE, for obvious logistical reasons, samples program reports and is unable to serve as a complete clearinghouse.

In addition to the above-mentioned resources, certain individuals have been on the "cutting edge," and are thereby able to identify the course of the performance contracting movement. By piecing together these eclectic results, it is possible to list those cities in which performance contracts were negotiated. (Reference to city rather than to school facilitates further investigation by interested persons). In keeping with an emphasis on outputs, no attempt has been made to spell out the make-up of these contracts. Education Turnkey News has already done that job well.[5] Moreover, they differ so vastly, sometimes so minutely from one another that a classification would be counterproductive. Any broad scale comparison is precluded for lack of a standard language, since contracts and evaluations are constructed according to local customs, materials and tastes.

From another point of view, it would not be judicious to highlight or to describe every project undertaken. They simply are not equivalent. Instead, this report tries to call attention to the individual projects, inviting closer examination by all educators. The examples cited are illustrative only, limited by the experience of the writer. In the following list, those schools are starred if they were part of the OEO experiment. The cities in Virginia were part of a state-wide Title I project.

Sites of Educational Performance Contracting

*Anchorage, Alaska	1970-71
Appalachia, Virginia	1970-71
Athens, Georgia (Clarks Co.)	1970-71
Benton Harbor, Michigan	1971-72
Big Stone Gap, Virginia	1970-71
Bristol, Virginia	1971-72
* Bronx, New York	1970-71
Chase City, Virginia	1970-71
Clintwood, Virginia	1970-71
Coeburn, Virginia	1970-71
Colcord, Oklahoma (Delaware Co.)	1970-71
Compton, California	1970-71
Corbin, Kentucky	1970-71
Council, Virginia	1970-71
*+Dallas, Texas	1970-72
Denver, Colorado	1970-72
Detroit, Michigan	1971-72
Dothan, Alabama	1971-72
El Cajon, California	1970-71
+Englewood, Colorado	1970-72
Farmville, Virginia	1970-71
Fenton, Michigan	1970-71
+Flint, Michigan	1970-72
Fontana, California	1971-72
* Fresno, California	1970-71
Gary, Indiana	1970-74
Gilroy, California	1970-71
*+Grand Rapids, Michigan	1970-72
Greenville, South Carolina	1971-72
Grundy, Virginia	1970-72
* Hammond, Indiana	1970-72
* Hartford, Connecticut	1970-71
Hurley, Virginia	1970-71
*+Jacksonville, Florida (Duval Co.)	1970-72
Kalamazoo, Michigan	1970-71
Kenbridge, Virginia	1970-71
Keokuk, Iowa	1970 sum
La Junta, Colorado	1971-72
Lansing, Michigan	1971-72
* Las Vegas, Nevada (Clark Co.)	1970-71
Liberty-Eylau, Texas (Texarkana)	1969-72

* McComb, Mississippi	1970-71
Mesa, Arizona	1970-72
+Miami, Florida (Dade Co.)	1970-72
Minco, Oklahoma (Delaware Co.)	1971-72
Monroe, Michigan	1970-71
Mount Clemens, Michigan	1970-71
+Muskegon Heights, Michigan	1971-72
Nora, Virginia	1970-71
Norfolk, Virginia	1970-71
Oakland, California	1970-71
Ogden, Utah	1970-71
*+Philadelphia, Pennsylvania	1970-72
Pine Ridge, South Dakota (Shannon Co.)	1971-72
Portland, Maine	1970-71
+Portland, Oregon	1970-71
Providence, Rhode Island	1970-71
* Rockland, Maine	1970-71
Roxbury, Massachusettes (Boston)	1970-71
San Diego, California	1970-72
St. Joseph, Louisiana	1970-71
Savannah. Georgia	1970-71
+Scottsdale, Arizona	1971-72
* Seattle, Washington	1970-71
* Selmer, Tennessee (McNairy Co,)	1970-71
Shreveport, Louisiana	1971-72
South Hill, Virginia	1970-71
* Stockton, California	1970-71
* Taft, Texas	1970-72
Texarkana, Arkansas	1969-72
Vansant, Virginia	1970-71
Victoria, Virginia	1970-71
Wayne, Michigan	1970-71
* Wichita, Kansas	1970-71
Wise, Virginia	1970-72

* - part of OEO experiment in performance contracting
+ - more than one project

In sum, there are 75 cities in 31 states represented

1971-72 There were external performance contracts in operation at the following locations:

Benton Harbor, Michigan	1
Dallas, Texas	2
Detroit, Michigan	1
Dothan, Alabama	1
Flint, Michigan	1
Gary, Indiana	1
Grand Rapids, Michigan	3
Jacksonville, Florida (Duval Co.)	1
Lansing, Michigan	1
Miami, Florida (Dade Co.)	2
Minco, Oklahoma	1
Muskegon Heights, Michigan	2
Philadelphia, Pennsylvania	1
Scottsdale, Arizona	3
Shreveport, Louisiana	1
	22

Internal contracts were in effect in:

Bristol, Virginia	1
Dallas, Texas	1
Denver, Colorado	1
Englewood, Colorado	2
La Junta, Colorado	1
Mesa, Arizona	1
Miami, Florida (Dade Co.)	2
Pine Ridge, South Dakota (Shannon Co.)	1
	22

Turnkey operations were in force at:

Flint, Michigan	1
Grand Rapids, Michigan	2
Grundy, Virginia	1
Hammond, Indiana	1
Philadelphia, Pennsylvania	1
San Diego, California	1
Taft, Texas	1
Texarkana/Liberty-Eylau	1
Wise, Virginia	1
	10

Other contracts as yet unclassified include:

Fontana, California	1
Greenville, South Carolina	1
	2

All told, there were at least 34 performance contracts in effect (plus 10 Turnkey operations). There are also unconfirmed reports of contracts in Chicago and Muskegon, Michigan. Current operations are scattered throughout 13 states.

Although the direction of performance contracts has been in the area of reading and mathematics, there are indications that their use may be expanded for purposes of improving motivation and attitudes, teaching mentally retarded children, e.g. in Grand Rapids, and especially providing vocational training. For example, Shreveport, Louisiana, is following in Dallas' footsteps in contracting for vocational training for both boys and girls. Dallas, meanwhile, has spawned another program, this time a career development program -- the Skyline project. These varieties that have evolved bear out the observation made by Stucker and Hall: "The real strength of performance contracting is its versatility -- its potentiality for use in a wide variety of contexts."[6]

Information Sources

Lacking a single, definite work on performance contracting, it is appropriate to elaborate on the available sources of information. First, it should be admitted that the whole story will probably never surface. The experiences were too separate, too short-lived, too ill- and unreported, too controversial, too small and too momentary in relation to other social and economic conditions crying for attention. Moreover, many of the matters are considered personal, private and proprietary as well as public. Under the threat of lawsuits -- the suspended sword of Damocles -- no party will divulge complete information, at least "not for publication," or as one authority put it: "In damn few private conversations." This makes

published reports terribly incomplete, hinting at best at the actual situation. Second, because of the business interest involved, the material may be classified, as noted by Martin and Briggs: "Some of the problems encountered are getting actual figures, as opposed to what the firm wants its costs to appear to be."[7]

A basic source of information on performance contracting is the year-end report prepared at the local level. The standards for these reports, however, vary tremendously. Often they are distillates of limited value except as written record or justification required by a school administrator or government agency. Prepared usually at a "safe" distance from the project, they display selective retention in choosing to report some things and to ignore others. Nonetheless, as the most readily available source, apart from personal communication, these reports stand as monuments to the past.

Another source is the large number of articles appearing in sporadic fashion in a wide range of journals, educational and otherwise. With rare exception, these have been two-dimensional snapshots. Their purpose seems to be to influence public opinion or to demonstrate professional awareness -- being on top of current educational developments. Local newspaper accounts, while timely and detailed, have unfortunately not circulated widely. As a result, there are gaping holes in the chronicle of performance contracting.

A third recent source is the product of major research efforts by Rand Corporation and the Office of Economic Opportunity. Rand analysts spent 16 months exploring the concept, investigating the field and developing a guide for decision-makers in education. OEO, together with its principal analysis contractor Battelle Memorial Institute, has completed its 12+ month study of the OEO experiment. These publications, voluminous and of varying statistical

sophistication, provide the greatest supply of material to date on which to base an examination of performance contracts.

A fourth source is the increasing volume of dissertations and books, largely the product of personal and corporate experience. They augment the earlier work of National School Boards Association (NSBA), Lessinger and Education Turnkey Systems, Inc. This activity was referred to, perhaps facetiously, as a "knowledge explosion", since at the end of year I, "Three books were published, ranging in price from $3 to $95, and this newsletter was begun."[8]

The chronicle of performance contracting still has to be written. The scribes are many, the scrolls -- originals and copies -- as well. Foremost among the documents is Education Turnkey News, which for various reasons (altruistic and commerical) began to report on events and development. This publication suffered from no lack of scope, claiming a capability to survey the field, to run a classified advertising section, to analyze the news, to cover special subjects in depth, and to aid educational planning.

The newsletter began in April, 1970, and ran through March, 1971. It reported basically matters relating to performance contracting, but included topics like "educational engineering" and education vouchers. The final three issues developed a useful guideline for planning a contract and a summary of results in year I, as interpreted by Briggs and Martin. Especially the last issue is revealing in its disappointed, perhaps disillusioned tone.

As a documentation of events, Education Turnkey News is without peer. It was published by Education Turnkey Systems, Inc. (ETS), a management support firm active in analysis, evaluation and planning. Geared partly to company operations, the newsletter solicited innovative efforts from schools, and

introduced new learning companies -- their personnel and activities. In addition, it highlighted major conferences, announced contract awards on the Capitol scene and provided a forcecast of events. The effect of this work was a sustained, reasonably complete account of the action.

Education Daily also tracked the course of performance contracting. It fills in a lot of holes by documenting USOE and OEO actions, including contract awards, personnel turn-over, press conferences and news releases. By reporting from Washington, D.C., this publication tied performance contracting to the congressional scene.

Major magazines are the source of greatest disappointment. Their articles by writers of wide-ranging expertise addressed only peripherally the matter of performance contracting. Bumstead, Elam, Mecklenburger, Wilson and Willingham are clear exceptions. Moreover, the columns by Mecklenburger in Educational Technology and by Blaschke in Nation's Schools took over the function of the "ETS" newsletter and reported development on a regular basis. Aside from these items, the "dirigible" of performance contracting (see Mecklenburger article in appendix) was tied down by a string to most published articles. And the connection was remote.

Elements of Controversy

On the whole, performance contracting has not held the public attention for long, except for Texarkana, OEO and Gary. It has had the flair of a bandwagon approach, which has fostered wholesale adoption as well as the taking up of positions opposing the movement. As a result, controversy has become the trademark of performance contracting.

The fires of controversy have been fanned by "zealots" (ad-and ad-ment alike),

"climbers," limelighters, vindictive parents, defensive teachers, administrators of expediency, insensitive technicians, and irresponsible public relations officers. Some of the basis for controversy can be summarized as follows:

1. Performance contracting involves extensive use of paraprofessionals -- uncertificated people. But as recent evidence seems to indicate, this practice has a sound theoretical basis. It just may not be the case, as is commonly assumed, that the teacher-student ratio is the critical factor in learning. Instead, how the available personnel are deployed may be most important. Teachers, especially through their organizations, have felt their positions threatened by increased use of paraprofessionals.

2. Performance contracting emphasized individualized instruction, made possible by varying combinations of equipment and materials -- usually "programmed texts" but also sometimes "teaching machines." It has been a long-standing tradition of schools to delay the introduction of technological progress into the classroom.

3. Performance contracting regards motivation as the key to learning. Thus, it encourages treating kids and adults alike, by rewarding them with tangibles, such as green stamps, play money, candy, transitor radios, or with intangibles, such as free time, recreational privileges. This practice shocks traditional purists who believe only in self-motivation, while ignoring the effects of complex social and economic conditions. Purists prefer the more subtle and accepted incentives of grades, extra-curriculars, degrees, a good job, high living standards and status.

4. Performance contracting pays according to end results; consequently, contractors run high risks, unsure of making a profit, much less meeting expenses. On the other hand, contracts offer the certainty of knowing what you paid for. You come away with a receipt in your hands. Teachers who relish secure and non-competitive conditions take issue with this flexible approach.

5. Finally, performance contracting involes a new way of thinking about schools, complete with new roles, different environments and a jargon of its own -- learning managers, curriculum managers, rapid learning centers, contingency management. This novelty of form upsets the status quo and its dependents.

CHAPTER II

REVIEW AND ANALYSIS OF SUBJECTIVE REPORTS

The temptation is strong to label performance contracts as either "successes" or "failures." To do so, however, is to over-simplify matters. Hard data are available in the form of test scores, head counts, rates of attendance and drop-out, and incidents of vandalism. But subjective and affective considerations should be regarded as well. News releases have generalized extensively, branding projects as: a "flop," "mixed success," "success," "encouraging," or "disappointing." Similarly performance contracts have been summarily debunked for their lack of "dramatic" or "striking" results.

It is important to remember at this point the heterogeneous character ascribed to performance contracts. There are circumstances peculiar to each one. Schools and communities differ in the degree to which they have recognized and assessed their needs. They differ in the expectations they hold for schools. They differ in resources, finances, personnel and students. And they differ in commitment. These differences are ultimately reflected in the types of contracts negotiated as well as in the outcome of those agreements.

Viewpoints of Selected Writers

The observer, probably closest to the scene of performance contracts in actual operation, has been James Mecklenburger, research assistant for Phi Delta Kappan. Together with John A. Wilson, a fellow graduate student at Indiana University and now with the Indiana SEA (Department of Public Instruction), he has written objective, yet personal accounts based on first-hand experience in Gary, Cherry Creek (Englewood, Colorado), and Grand Rapids. In their September, 1971, article for Saturday Review

entitled "Learning C.O.D." they related some effects of performance contracting:

> "Some contracts have shattered complacency, inspired creativity, improved learning, and turned the spotlight of public attention on the quality of classroom instruction. But others have inspired greed and chicanery, created poor environments for children, and fomented unhealthy dissension".[9]

From their experienced point of view, they recommend looking at contracts in the following way:

> "Some projects undoubtedly will appear to do very well, others will be instructive as failures. All should be regarded with the kind of hopeful skepticism that greets the first trial of any new invention."[10]

Robert Stake and James Wardop of the University of Illinois (Center for Institutional Research and Curriculum Evaluation -- CIRCE) have echoed the sentiments of the Rand Report. They have sharply criticized the testing procedures. Stake put it this way:

> "At first performance contracting seemed almost a haven for the misinterpretation of scores. Contracts have ignored 1) the practice effect of pre-testing, 2) the origins of grade equivalents, 3) the "learning calendar," 4) the unreliability of gain scores, and 5) regression effects."[11]

In particular, Stake and Wardrop contested the instruments used in performance contracting to demonstrate "growth." The problem is acute, because test scores are the basis for payment to the contractor. Stake pointed out that probable errors of up to one year can result from measuring short-term individual gain by means of a standardized achievement test.[12] Criteria -referenced tests, while more appropriate to particular learning objectives, have not been sufficiently developed or field tested.

The dilema of testing in performance contracts is summed up essentially in the following:

> "It is often unrealistic to expect a project director to either find or create paper and pencil test items, administrable in an hour to large numbers of students, by persons untrained in psychometric observation and standardized diagnostics, objectively

> scorable, valid for purposes of the performance contract, and readily interpretable."[13]

Despite their reservations about the evaluation of the performance contracting programs, Stake refrains from a wholesale condemnation of the method:

> "Without yielding to the temptation to undercut new efforts to provide instruction, educators should continue to be apprehensive about evaluating teaching on the basis of performance testing alone."[14]

From another standpoint, this time that of Charles Blaschke, president of "ETS" and the propelling force behind the theory and process of performance contracting, the year 1970-71 might be described in these terms: "Heartening and disheartening; encouraging and discouraging. More importantly, perhaps is that performance contracting and turnkey operations actually exist. Texarkana is history."[15]

At this mention of Texarkana, it is worth considering the words of Robert E. Kraner, president of Epic Diversified Systems, Corp., the auditor for Texarkana (1969-70). In the fall of 1971 he wrote:

> "The Texarkana experience strengthened the total concept of accountability through performance contracting. The evaluation and audit functions of the contract were allowed to demonstrate their value in a demanding situation. Not only did the evaluation and audit functions serve as a formal check to contractual obligations, but they provided basic information for project development and operation during this second year.
>
> Today, the Texarkana Project is operating as one of the outstanding ESEA, Title VIII projects in the nation. With the same safeguards built into the project, evaluation and educational audit, the public should feel a higher level of assurance that monies are being expended properly and effectively by its management."[16]

It should be mentioned in passing that Kraner's position is not universally shared, partly because of the abrupt shift in instructional programs, and partly because of the high start-up costs of the follow-up program.

In terms of cost and the cost-effectiveness of performance contracting, the final OEO report on its 1970-71 experiment will have significance. The management group for that project was "ETS", whose president Blaschke released preliminary results from a cost analysis of selected programs. His figures indicated that the average rates of achievement in mathematics and reading for underachieving students were doubled at a cost slightly more than existing costs per student year per subject.[17] This meant, in effect, that the projects were financially feasible, relative to the current costs of remedial programs in these areas. The report, however, did not determine the actual effectiveness of the projects, since the achievement data were not available for analysis at that time.

The attitude of OEO during its experiment, discussed later in greater detail, was ambiguous. For example, John O. Wilson, Assistant Director for Planning, Research and Evaluation, stated his position in mid course:

> "We are telling those superintendents flatly that we would not advise it (performance contracting). We really know very little about this concept, far too little to indicate even optimism. I am apauled when I read that schools already are spending millions of dollars for this entirely unknown quantity."[18]

Strangely enough, this OEO office was in the midst of its $6.5 million experiment in 20 cities, when this opinion was expressed.

Opinion Polls and Surveys

Another index to the effects of performance contracting is the result of scattered polls and surveys. In May, 1970, a poll of school superintendents in the 50 states indicated that 41% thought that performance contracts with private firms as in Texarkana should be encouraged.[19]

The next poll in November, 1970, the by now familiar NSBA (National School Board Association) poll of school board members in 49 states was more supportive

of performance contracts. Of the board members polled, one-third strongly favored the concept of performance contracting; one-third favored the idea, but with some reservations; while one-third opposed the notion.[20]

The Third Annual Gallup Survey of Public Attitudes Toward Public Schools in mid-1971 pointed out that 44% of the public favored the idea of performance contracting, while 23% opposed it. However, a substantial portion -- 23% -- expressed no opinion.[21] Thus, the general public tended to support the school board members' position.

A teacher opinion poll conducted last fall and reported in December, 1971, in Todays Education showed that:

7.5%	strongly favored performance contracting
30.5%	tended to favor performance contracting
25.7%	tended to oppose performance contracting
22.0%	strongly opposed performance contracting
14.4%	were undecided

In summary, 38% of the teachers found the idea favorable, while 48% were opposed to it.[22] (The results of this poll may not be too reliable, since no sample data were given.) This report concluded: ". . .public school teachers in general do not believe that the type of competition for money customary in the business world should be applied in education."[23]

Hence, the surveys considered implied an approval by the general public and school boards, alongside mild disapproval by superintendents and teachers. (This sentiment is shared by a company president who recently said: "Nobody seems to like it but the customers that buy it.")

Reaction of Professional Organizations

Another indicator of the credible success of performance contracts has been the reaction of major organizations. For example, the American Association of

School Administrators (AASA), while affirming the principle of accountability, cautioned:

> "When school districts contract with commercial organizations for part or all of the education program, the result obtained may appear to be the desired one, although it is all too likely to be specious."[24]

Consequently, the AASA endorsed experimentation in contracted learning "only under strict supervision by persons who know in depth. . . ." (emphasis added)

The American Federation of Teachers (AFT) has been particularly vocal in its criticism of performance contracting, expecially in Gary, Providence, Philadelphia, Boston and Denver. The AFT opposes the usurpation of educational policy by private industrial entrepreneurs; fears the possible monopoly of big business; condemns dehumanizing procedures and "teaching the test" practices; is resistant to subversion of the collective-bargaining process; opposes a reduction of teacher input; and is concerned for the competition that may be shown among school personnel.[25]

The AFT reacted strongly to performance contracting. Its position was illustrated by cartoons in the American Teacher and the AFT Non-Coloring Book on performance contracting. At the same time, by opposing the concept and OEO's involvement in educational affairs, the AFT precipitated out issues that were unresolved and unattended for a long time. There was, however, controversy resulting from misunderstanding and the lack of communication which produced a damaging effect. As an OEO official acknowledged, the AFT reaction was expected because of the thorns in performance contracts - the effect on collective bargaining and on employment practices.

The Council of Chief State School Officers (CCSSO) has expressed its concern for the legal implications:

> "This involvement of the private sector in the conduct of educational programs should in no way lead to the abdication of state and local responsibility for management and accountability for public education in the state."[26]

Probably, one of the least emotion-ridden and best formulated positions is stated by Rev. C. Albert Koob, President of the National Catholic Educational Association:

> "In their present forms and under present circumstances, neither the Educational Voucher Plan nor Educational Performance Contracting can be considered either singly or as a combination, the best or only solution to current educational ills. But, because they represent the studied efforts of highly regarded individuals in education, government, and industry, it obviously is in the national interest to provide every opportunity to determine the impact- for good or for bad- that these devices generate, with a view toward subsequent expansion, alteration, or abandonment, as their tested merits indicate. It is understood, of course, that prudent and proper supervision and safeguards are to be exercised in all such experimentation and in all such innovative programs."[27]

The National Education Association (NEA) softened with time. Early, the NEA listed nine (later eight) detailed conditions as prerequisites for its approval of such contracts. Teachers must be integrally involved at all stages; a variety of tests must be used; the community and other professionals must help formulate learning objectives; there must be turnkey provisions - i.e. the school must ultimately take over the program in all aspects; school personnel must be used as much as possible; all personnel must be properly certificated; (programs must be truly innovative); existing contracts must not be violated; and copyright laws must be observed.[28] As is apparent, the concerns of NEA were real. They did not, strictly speaking, relate to the OEO involvement in experimentation.

To NEA Presidents, Mrs. Helen Bain and later Don Morrison, performance contracting resembled other "simple, cheap solutions to complex and costly problems."[29] In their view, no program can replace a good teacher working with small classes and with adequate time and materials. Another NEA spokesman, lobbyist John Lumley, assailed the OEO project as "a poor use of OEO funds."

He supported only the idea of local level performance contracts, where ". . . school people and the schools are involved, not private, profit-making firms."[30]

The National Association for the Advancement of Colored People (NAACP) has passed a resolution in favor of performance contracting. It should be mentioned that projects in Texarkana and elsewhere have been instrumental in desegragation efforts.

In general, it has been highly popular for major organizations to take a stance on performance contracting. The extreme forms are represented in the New York state regulation prohibiting the use of state or local monies for performance contracting and in Michigan's accountability efforts, making $500,000 of state Section III monies available for performance contracts. Frequently, positions have been ill-founded, based on prejudgement and insufficient or faulty information. The Educational Policies Commission of the Minnesota Education Association has adopted a position that describes the profitable nature of performance contracts, that questions the commitment of business to children, and that supported the expertise of schools and their personnel. The position concludes:

> "It is doubtful whether any group of industrialists or educators will develop a new method which will replace a good teacher who has small classes, adequate preparation time and good supervision. Providing the student with these advantages is costly, and it always will be."[31]

Newspaper Capsule Reports

The following capsule reports on performance contracts illustrate the substance of most news releases thus far. The Dallas projects were particularly successful. Thiokol Chemical Corporation, for example, undertook a vocational training program for 150 students (coed), consisting of auto mechanics, drafting for girls, and machine shop training. Thiokol guaranteed that the students would achieve entrance level performance as apprentices, assistants or helpers, by Department of Labor standards. As a result of the contract

65% emerged at the desired level, another 30% completed on-the-job-training, while only 5% failed. Another Dallas contract for motivational improvement succeeded by raising the attendance rate from 72% to 87%, by improving attitudes, and by reducing the drop-out rate from 8% to 5%.

The Gary project resulted in 73% of second-through sixth graders scoring at or above the national norms in reading or mathematics or both - a complete turn-about from the previous year. (A clearer reporting of the program would have shown that 35% in reading or mathematics, 32% in mathematics only, and 6% in reading only met standards of national norms.) First-graders acheived an average of 1.7 year's growth, with 1.5 years an average for the other grades. (Measurement of gains in the first grade has been questioned by Blaschke, Webster and Hall.)

The Philadelphia project was the largest to date - 14,261 students. Marred by a teachers' strike and a delayed shipment of materials, the project produced a year's growth in reading for 34% of the pupils, while 35% failed to reach that level. Significantly, 30% were discounted from the payment schedule for not attenting 150 days. According to the head of Behavioral Research Laboratories (BRL), Allen Calvin, the results were still remarkable: "These are the best results anybody's gotten with inner-city kids. Anywhere!"

Although the Portland, Oregon, contracts ran so well that they were continued in the summer, director James Holmes disuaded their wholesale adoption: "Few teachers are willing to run the risk of a true tough performance contract."

Texarkana in 1969-70 showed 250 out of 350 students improving 1.5 grade levels in reading, along with a reduction of drop-out rates from 20% to 2% (Dorsett's figures). In the next year, EDL (Educational Development Laboratories of McGraw Hill) lowered the drop-out rate from 8% to 5%, met the minimal achievement level in criterion-referenced tests, but produced only a 24% success

rate with standardized tests as the measure.

The well planned Virginia state-wide project produced "disappointing" results, despite the claims to the contrary by several of the participants. The students showed no advantage in reading gain over their peers in regular classrooms, despite the painstaking efforts made to develop the program.

Overall, the actual costs per grade level gain were less than normal, largely because of the ambitious goals and high minimum achievement levels. In Blaschke's cost analysis of performance contracts, he pointed out the marked contrasts in the amount of money expended in experimental programs versus traditional programs for teacher pay (55% vs 75%) and for books and audio-visual materials (17% vs 2%). On the basis of these data, Blaschke contended: "If schools turnkeyed (adopted instructional equipment and instructional programs), operating costs would be less than present costs/student/subject in about one-third of the cases and somewhat greater in the rest."[32]

Robert W. Locke, late Executive Vice-President for McGraw-Hill Book Company, allayed some of the financial worries over performance contracting when he said:

> "Nevertheless, I wouldn't get too uptight about the prospect of paying more money, because the theory of performance contracting is that educational results will be better. Remember the only way a performance contract can cost less is to fail. Conversely, it will be relatively economical if it succeeds."[33]

CHAPTER III

REVIEW AND ANALYSIS OF RAND EVALUATION REPORTS

The Rand Corporation study of performance contracting in education was completed in March, 1972. Consisting of three parts totaling ten volumes (2-6-2), it represented the results of the investigations of James Stucker, George Hall, Polly Carpenter, Arnold Chalfant, M. Rapp, G.C. Sumner, and S.A. Haggart. The study was made pursuant to a contract with the Department of Health, Education and Welfare (HEW). The sole-source contract was announced in July, 1970 and was scheduled to run for 16 months at a cost of $300,000.

Part I - Concept and Theory

Dated May, 1971, Part I by Stucker and Hall examines the concept of performance contracting and then attempts to derive the theory. It is partially based on similar experiences in the Department of Defense (DOD), National Aeronautics and Space Administration (NASA), Job Corps and hospitals.

In discharging its responsibilities, a school board has to decide what it can do on its own and what it needs to purchase. Contracts are instruments. They can be used to purchase goods and services, or as the authors put it "resources and results."

Stucker and Hall describe four kinds of contracts: fixed fee contracts for resources, fixed fee contracts for results, scaled (performance) contracts for resources, and scaled (performance) contracts for results. Each of the four is suited for particular tasks.

There are two basic criteria against which to weigh contracts. Of central importance is the matter of authority, which is delegated by the board. In general, the board surrenders little decision-making authority in fixed fee contracts. Scaled (performance) contracts, however, imply greater flexibility for the contractor and hence greater authority.

The author suggests that a performance contract permits multiple outcomes, instead of a single outcome. Anticipating certain adjustments then, this contract scales the price to fit the end product. In this way, the payment corresponds to the level of performance. Fixed contracts, on the other hand, are less flexible, specifying a solitary outcome and a flat fee.

Part I also calls attention to certain problems encountered in performance contracting, in particular the matter of testing and measurement. It sounds a prophetic warning: "Designing and implementing such evaluation may turn out to be the most difficult problem the performance contracting movement must face. . ."[34]

Stucker makes an interesting attempt to derive the theory of performance contracting by integrating the theory of contracts (sales and employment) with the theory of incentives. The matter should be pursued in greater depth.

Part II - Case Studies

The results of the field investigations of Rand's Team are found in the second part (6 volumes) called Case Studies in Educational Performance Contracting. The sites under study were Norfolk, Virginia, Texarkana, Arkansas; Gary, Indiana, Gilroy, California, and Grand Rapids, Michigan. Dated December, 1971, the case studies report on performance contracts in the school year 1970-71.

Conclusions and Implications

Volume I of Part II is entitled Conclusions and Implications, drawn together by Carpenter and Hall from the other five volumes. It provides the basis for the following summary.

The instructional programs were not "off the shelf" stock; they were still in the process of development. The basic and common goal of this development was individualized instruction. In this way, performance contracts came to serve as agents of change in general, despite their preoccupation with skills. Contrary to accusations, the program produced little evidence of dehumanization.

The cognitive achievements of these contracts were "respectable," but not "dramatic". While discussing the formidable problems in determining test scores and gains, the authors stress the need for considerable work in the area of criterion-referenced measures. Progress in this area will aid decision-makers, who ultimately must choose the instruments by which to gauge learning.

The contracts entailed a wide variation in costs, but generally totalled more than in "conventional instruction." However, Carpenter and Hall are quick to point out that the costs are roughly the same as for other ESEA Title I programs. The basis for this claim is the standard replication cost analysis set up by S.A. Haggart.

The mark of success in performance contracts is student learning. Testing is utilized to make this determination whereas evaluation assumes the function of validating results. In general, evaluation schemes at the five sites were haphazard or non-existent, sometimes as a result of unavailable baseline data.

As a research and development tool, performance contracting has shown promises. Its success, however, ultimately turns on the presence or absence of a respected and influential "sponsor," as documented in these cases. Early teacher involvement and a flexible contract also help to insure success.

Along legal lines, disputes may arise with respect to public control of the programs (or the lack thereof) and on the matter of merit pay. Finally, community relations, thus far unattended have to improve for the sake of the program.

The author's note that the LSC's (contractors) do not seem to have generated large profits so far. (Brian Frider, president of Alpha II, referred to this situation as "the case of the missing pile of profits.") Some companies have generated follow-up programs, usually, however, not on a performance contract basis. (Blaschke asserts that companies are ideally working themselves out of business.) Contractors seem to prefer a consultant position, having found performance contracting a way to break into new markets and to get visibility.

In summary, Carpenter and Hall cite the major advantages of performance contracting: it facilitates the introduction of radical change, it increases emphasis on accountability for learning among all the parties involved, and it has brought new LSC's into the field.

On the other hand, there are disadvantages: high costs and complex management, a narrow focus on skill development, and an exacerbation of old problems like teacher status and test usage.

Norfolk, Virginia

Polly Carpenter prepared volume 2 of Part II on Norfolk, one of Virginia's state-wide Title I projects, which yielded "disappointing" results. She diagnosed a basic flaw in the program design -- namely, a mismatch between a curriculum emphasizing reading attack skills and a standardized test emphasizing reading comprehension. There were other difficulties as well -- an "inadequate" evaluation plan and obstacles to collecting necessary data. By running a

comparison with a regular Title I remedial reading program, she calculated that performance contracting would reduce costs by 25%. Finally, as a result of the program, "radical" departures from traditional practices were introduced into the school system.

Texarkana, Oklahoma

Rand, in the persons of Carpenter, Chalfant, and Hall, made the pilgrimage to Mecca -- i.e. Texarkana. By sifting through the remains of 1969-70, they found the relics of the original program. It involved these features: 1) new cost-effective technology, 2) a performance contract, 3) a management support group, 4) competitive bidding by LSC's and 5) independent evaluation and audit. They detected three problems in the first year design and operation: 1) an evaluation plan out of tune with the instructional program, 2) an unclear definition of roles for the support groups, and 3) inadequate preparation for turnkey.

As a result of the "teaching the test" scandal, major changes were brought about. More direct emphasis was put on preventing drop-outs; support roles were simplified; and payment was connected not only to standardized test scores, but to reduction in the drop-out rate, to achievement on criterion-referenced tests and to cost-effectiveness.

The accuracy of this report is attested by project director Martin Filogamo: "We are of the opinion they (Rand) have done an excellent job reporting the facts."

Texarkana retains its importance as the model for performance contracts, as observed by Briggs and Martin: "It is safe to say that since Texarkana, no significantly new approaches have been offered by the firms. Each project has the same old wine in new bottles."[35]

Gary, Indiana

Gary caught the eye and the affection of the Rand team. Hall and Rapp called it "the most innovative of the contracts." As the center of controversy -- internal, local and national -- Gary was challenged almost beyond its strength. It had spats with its LSC, with the local teachers' union and the AFT at large, with the Indiana Department of Public Instruction, and even with government officials. Yet despite these intitial confrontations, the authors concluded: "With some effort it appears that most of the legal, administrative and personnel difficulties can be resolved."

As a multi year contract, the Banneker project in Gary must be looked at over time -- a "wait and see" approach -- recognizing simultaneously the impressive gains in the first year (1.5 years). Hall and Rapp cite also the cost potential of the program, figuring it to exceed conventional costs by no more then 5%. For these reasons they strongly recommend: "It deserves the attention of everyone interested in the current educational scene." (These comments take on more meaning when considering the remark of Brian Fitch, project director at Bannecker, that Rand viewed the project in the "incubation stage." Since that time program development -- "the right materials to the right kids at the right time"-- has come a long way.)

Gilroy, California

M. Rapp developed the report on Gilroy, California, whose program was also a source of disappointment. She identified special problems in a curriculum for Spanish-American children, testing and evaluation difficulties, proprietary cost information and the need for a mid-course correction. The program, while not achieving its stated goal, did effect program change in the direction of individualized instruction. It also maintained the status quo, in that the

differential between the experimental group and the control group did not widen over the course of the instruction.

Grand Rapids, Michigan

The volume on Grand Rapids, written by G.C. Sumner, is steeped in local flavor. In convincing style, the report identifies and credits the "sponsors" of the three performance contracts in effect. Necessarily, one of them, the OEO project, labored under the "clamp of silence," as Joan Webster put it, and behind the "secrecy wall," as Brian Frieder put it. There is, however, still some basis for comparison. The interviews, the committee report and the interim report to the board are good indices for local reaction to the project. In addition, by identifying certain administrative problems -- priorities, flow of information, channels of communication, data quality and public relations - the picture of a large school system engaged in innovative efforts becomes real.

Summary

To sum up Part II, these conclusions bear repeating. First, performance contracting programs are not pre-packaged, they are in the developmental stage. Consequently, their implementation and modification have occasioned many problems. Second, cognitive gains, as measured by standardized achievement tests, were "respectable," despite the large room for improvement in the area of testing. Third, costs compared favorably with those of Title I remedial programs. Fourth, evaluation procedures and data were unsatisfactory. Fifth, management posed some real sticky problems in the operation of performance contracts. Sixth, profit margins have generally been low, forcing many contractors to shift their role to that of consultants.

Part III - Performance Contracting Guide

The third part of the Rand Report, dated March, 1972, is a guide to performance contracting. Its authors were Hall, Rapp, Carpenter, Sumner and Haggart. The guide is meant as a kind of handbook for school board members, administrative and other decision-makers who may be considering performance contracting.

Volume 9 deals with the legal issues, program management, measurement and validation of performance contracts. In general, it raises important questions and implications, while pointing out the special requirements made of schools as a result.

The guide makes a special point of addressing the legal issues associated with performance contracting. (Some problems were raised in the Gary volume.) The authors express concern that the LEA establish its authority over a given project, that it comply with state procurement regulations in the selection of an LSC, that it observe mandated instructional time allotments, that it use certified textbooks and materials, that it insure teacher quality and conditions of employment according to existing agreements (regarding negotiation, class, size, assignment and transfer of teachers, and teacher compensation), that it make provision for student rights, and that it secure legal protections in the form of warranties, bonds and insurance. This sort of legal research then is the first step in the operation.

The second step requires that a school and its community assess their needs and then define their goals and objectives. At this point various kinds of management support are available to help an LEA initiate and implement an innovative program. The authors caution, however, that such assistance is expensive. Moreover, it urges that teachers be involved at an early stage (an oversight in the OEO experiment).

The Rand team delineates the different purposes of evaluation; to measure

results, to validate/certify results, to aid in decision-making, and to assist in improving programs. They then summarize the types of instruments that can be used to accomplish one or all of the purposes of an evaluation design for a so-called "quasi-experiment" -- standardized tests, measures of cost effectiveness (e.g. Webster and Blaschke), criterion-referenced tests, interviews, direct observations, attitudinal studies of parents and teachers, and control groups.

In the area of testing, the guide looks at certain logistical and administrative problems. It also spells out basic test functions: to diagnose, to demonstrate mastery or achievement, to determine payment to the contractor, and to evaluate a program. Much has indeed been learned about testing through the whole experience of performance contracting. The obsession with preventing "teaching the test" seems to have passed, not, however, without effect. (Penalties were devised that amounted to $1,000 per test item or to immediate termination of contract. A series of approaches to "mask or disguise" a test was developed, including simply blanking out the name of the test or else retyping it.)

To select an LSC, the school is advised to use the competitive bid procedure, rather than the sole-source method. The contract proper should stipulate an amendment procedure as well as definite contract settlement procedures. (From the OEO experience, forewarned is forearmed).

To organize and monitor programs makes certain demands upon a school. It must develop a rationale for selecting participating schools, personnel and students; for training teachers before and during the program; for maintaining records; and for "extending <u>awareness</u> of the program." (emphasis added)

Volume 10 deals with the more technical aspects of performance contracting, especially in connection with cost analysis. The attempt is to develop a measure of cost-effectiveness. Sample contracts from Volumes 3-8 fill out this report, producing in effect a rather comprehensive, yet brief and manageable guide. It is unfortunate that such material was not available for the planning of the 1970-71 projects.

Analysis of the Rand Report

Certain comments need to be made on the Rand Report on educational performance contracting. As Mecklenburger has already pointed out, Part I is rather lifeless -- "a strangely dispassionate and obtuse document." By ignoring the specifics of individuals and social milieu, the report only weakly explains the genesis and growth of performance contracting. Second, the references are few in number and wide-ranging; they are inadequate for the purpose of documenting and describing both the operation and theory of performance contracting.

Part II is a virtual treasury of performance contracting documents. It contains, for example, an RFP (Request for Proposal), 2 proposals, a letter of intent, material lists, 9 LEA-LSC contracts, 1 MEA-MSG contract, 4 LEA-Evaluator contracts, and 2 LEA-Auditor contracts. In addition, it has a committee report and an interim report to the board of education. These documents constitute almost half of Part II, and as such serve as a resource for further study, especially for comparative purposes.

Part II, however, is basically an analysis of 8 performance contracts (with footnote reference to some 20 others), of 7 LSC's, of 15 schools, of 6 school districts, of 5 cities, of 2,500 kids and of 112 teachers. By focusing mainly on this sample of non-OEO projects, the report is necessarily incomplete in and of itself.

The studies are essentially descriptive analyses. They do not represent

evaluation in the broad or even narrow sense. Also, as a synchronic approach, the report has narrow limits -- 1970-71. To add depth to the analyses, a follow-up return visit has been scheduled, to establish longer range observation.

The cost analysis using the standard replication cost model is unconvincing, largely because it is not based on complete figures of actual cost. It also fails to take into account the low cost components of many experimental programs -- lower paid, energetic personnel. To base a cost comparison on these data is risky business, since the program naturally becomes more expensive as more experienced personnel are engaged for higher salaries, with less inclination to provide "free resources." The argument for lower costs because of the use of paraprofessionals likewise fails to consider the inevitable improvement of their conditions of employment.

Finally, it should be noted that the report as a whole has an extremely useful format. Other analyses could well take example from the division of a report into attractive, readable and orderly parts of reasonable length. The report bears many of the marks necessary to serve as a tool for decision-makers.

CHAPTER IV

LOCAL SCHOOL DISTRICT EVALUATION REPORTS

A general assessment of performance contracting can be made in a number of ways, ranging from sobering statistics to inflated promotion. Companies have withdrawn from the field to the point that, according to a reliable source, only one company may have a real interest next year. The running total of performance contracts has fallen off markedly. Meanwhile, the heat that accompanied many projects has dissipated, causing conferences to search for hotter issues for discussion. Finally, the horizontal and vertical mobility has caused many key figures to abandon the scene, leaving ghost projects behind. As a result, the game is still in play, but the subs use a different style. And the outcome may be different as well.

Evaluation reports like performance contracts defy generalizations. They have not yet assumed a standardized form. In this way, the peculiarity of each project is manifest in its conditions, participants, time and place.

The following conclusions are based on an analysis of over 25 evaluation reports, over 28 personnel communications with project personnel, a questionnaire returned by 48 State Educational Agencies (SEA's), conference events, and visits to United States Office of Education (USOE) and the Office of Economic Opportunity (OEO). The Rand and OEO reports have also been examined, but are treated separately in this study. Hence, empirical evidence supports subsequent observations.

From single page impressions to bulky statistical tables, evaluations are alike in their general lack of common and clear purpose. Their writers, however, face certain difficulties. The readership no longer encompasses just a supervisor or administrator, but school board members, SEA and USOE officials, press agents and researchers of every decriptions as well. Additionally, the reports are potential propaganda, to be used on prospective

customers, by schools, contractors and individuals alike. In aiming at all audiences, the reports seldom hit the mark.

The evaluations attach special significance to data, as a rule. Sometimes they seem unconcerned about what the figures stand for, or else immodest about flashing around percentages and totals. The end result is a kind of "data manipulation," as Roscoe Smith from the Dallas Office of Accountability jokingly referred to it. Nonetheless numbers talk, and lend statistical support in the form of test score differences, attendance figures, attitudinal scales, lists of materials and total dollar amounts. Unfortunately, the data were often gathered indiscriminately and yield at best inconclusive interpretations.

The foregoing is presented not to demean the evaluation reports, for they are virtually the only coded source of information available on the local scene. The intent, rather, is to warn against possible misuse of them, under the false assumption that generalizations with numbers are not only easy but sure.

Another critical factor in evaluation is timing. Upon their appearance reports on evaluation are obsolete and inconsequential. As post facto recreations, they attest the fact that a decision has already been made, and the report is accordingly "prettified" or filed away summarily, Behind it all lies the operating principle that decisions to continue or to suspend are based on factors other than formal evaluation reports or their contents.

In so far as they succeed in documenting the implementation and process of performance contracting, evaluation reports assume usefulness. Moreover, as the final, tangible evidence of a project, they outlive the conditions and personnel. What they preserve, then, however accurate, becomes the truth

in time. And so history is rewritten.

What then does this extended discussion of individual evaluation reports mean? The answer is a pessimistic shrug of the shoulders, admitting we just don't know much about performance contracts, in spite of the reports. At least we can't tell from those reports unless we approach them in credulous fashion and accept a pat answer.

Michigan State Superintendent of Public Instruction John W. Porter expressed the situation well: "Performance contracting will be effective, operational and successful only to the extent that the individual state and school ditrict want it to be."[36]

It is an oversimplification to say that a program did not work without going into the reasons why. It may have been the personnel who were responsible for the outcomes.

Some insight into the effects of and reactions to performance contracts can be gained by sampling the correspondence of school officials and project personnel. (emphases added)

> "Because these reports were so voluminous, we have not reproduced them for distribution but they are on file in the district for anyone who wishes to pour, (sic) over the contents."
>
> "With regard to gains per dollar, it would require copying some 200 pages to include all data from our model. The model is available to your staff if anyone is interested."
>
> "We undertook another deal using our own teachers and materials but contracting with an outside firm for in-service education of teachers. That program seemed to succeed. . . ."
>
> "As you know x has moved from using the term performance contracting to contract learning. In light of the recent OEO results we have now changed our tack to individualized education."
>
> "The report speaks for itself. The only thing it doesn't say is that x owes money to the school department."
>
> "The OEO performance contract . . . was quite unsuccessful and in fact the performance experimental group was in many ways inferior to that of the control group."

"We did as a district fund a limited experimental program utilizing the LSC materials; however, we have not prepared a report of the character that would be comparable to the major performance contracting experiments."

"We had a performance contract with x which has we feel been highly successful."

"The OEO program ran for the year 1970-71 and has since been phased out."

A second type of constraint may surround the evaluation of a performance contract. As a result, the report may not be available, as suggested by the following excerpts: (emphases added)

"As you know, the circumstance surrounding release of information on performance contracting have been less than ideal. x has retained the right to release information on performance contracting. Although this has apparently been done on a national level, the necessary information to complete our local evaluation has not been received, nor has the authorization."

"Internal performance contracting is an integral part of x 's differentiated staffing project. It has not been separated for any evaluation purposes, however. Any information or quasi-evaluation data is as a component within the differentiated staffing model."

". . .our involvement is very much bound by x constraints. Access to the reports given to the Office of Education by these two corporations may or may not be possible."

"It would be premature for me to speculate on the results, but I promise you a copy of the evaluation report, assuming the school districts concerned concur, and a copy of our contract model."

"While our office does not have the contract, we do have the proposal regarding the laboratories, but I am not allowed to release it."

"It is the Division's policy (USOE) not to encourage wide distribution of the reports or to indiscriminately pass out copies."

Question at AERA Conference: "Would you care to comment on the reasons for the cost overrun in the OEO evaluation contract or the reasons for the delay in the completion and release of the OEO report?" (Author)

Answer: "No comment -- the schedule was deviated from." (Director, OEO-TAC contract)

Evaluation reports, therefore, have to be read in light of the above-mentioned factors.

CHAPTER V

REVIEW AND ANALYSIS OF OFFICE OF ECONOMIC OPPORTUNITY EVALUATION REPORT

The report by the management support contractor (MSG) for the Office of Economic Opportunity (OEO) experiment -- Education Turnkey Systems, Inc. -- is a source of much practical experience. Released prior to the announcement of achievement data, it sketches well the problems encountered in implementing and administering "the largest single nationwide experiment in the history of public education."[37] The MSG cites a twofold purpose to OEO's use of performance contracting: 1) as a vehicle for evaluating the cost-effectiveness of six different instructional learning systems in mathematics and reading, and 2) as a technique of instruction in mathematics and reading. (Emphasis added)[38] The OEO assumed responsibility for conducting a low-cost, low-risk evaluation of learning systems, with an orientation toward outputs, with minimal administrative costs due to management decentralization with quality control, and cross fertilization effects.

Problems Which Hindered the Evaluation

Initially, the MSG identified a slightly different purpose to the experiment from the one reported by OEO: "The overriding objective of this experiment was to determine what types of instructional systems work best with what types of students in producing achievement in mathematics and reading as measured by standardized tests and IPO's (interim performance objectives)."[39]

Next, the MSG cited administrative problems connected with the experiment. Contracts, for example, did not spell out the responsibilities of the school district, which were rather assumed in "good faith." (Elsewhere, Blaschke commented that 10-11 of the contracts could have been terminated for Local Educational Agencies (LEA) non-compliance. This is a product of the

"experiments come and go" syndrome.) Moreover, the OEO-LEA contract lacked incentives and consequently limited the level of quality control possible.

Third, federal intervention in local schools had contrary effects. Some LEA's, LSC's (learning services contractor) and parents objected to OEO's meddling in local affairs and assuming complete control. (This might be called the "Washington" syndrome.) At the same time, by requiring the permission of parents to involve their children in an experiment, federal influence causes greater responsiveness to local conditions. Unfortunately, the responsiveness was not always productive. For example, OEO's definition of a target population for purposes of experimentation appeared to run counter to previous desegregation efforts in the instance of Taft, Texas, where parents opposed a 90% Mexican-American composition in the experimental group.

A final administrative difficulty was the matter of tracking highly mobile and truant students. These special problem students hampered the operation of the LSC instructional program.

The late selection of a testing and analysis contractor (TAC) -- Battelle Memorial Institute -- brought about some conflict over roles. Initial responsibilities for documentation were assumed by "ETS", but later were shifted to Battelle. Evaluation efforts were also hindered by the managerial flexibility that the LSC's enjoyed. They were encouraged to use whatever worked. Finally, a certain friction developed between OEO and LEA's over the rigor of the evaluation design, which largely precluded local involvement in decision-making.

The MSG interprets the lack of some other potential problems in the OEO experiment to be the result of the waiver of state and local constraints.

In the same vein, it advises: "Sound planning and decison-making based upon education merit will lead to education reform more quickly than prescriptive or proscriptive legal tenets."[40]

Recounting the legal incidents that took place, the report lists the filing of a grievance by a teachers' group over bonus payments to teachers, a lawsuit filed by teachers at one site (dismissed in mid-course), an injunction over the lack of certified teachers, a boycott on charges of segregation and State Education Agency (SEA) threat to terminate the contract (whereupon a ruling by the state attorney general upheld the federal contract which by-passed the SEA). Specific matters of instruction that evoked controversy included the use of paraprofessionals, teacher incentives, student incentives, logistical problems and staff turnover.

Certain changes occurred in the instructional process itself. The teacher, who traditionally had been a source of knowledge, became a "manager" of learning and resources. His/her duties came to include diagnosis and prescription. Blaschke labeled this phenomenon as not only learner-centered, but learner-controlled instruction as well. He observed, however, that this practice could be abused at the secondary level.[41] (Saretsky makes the same point in "Every Kid a Hustler".) In actual fact, the junior high students in Taft, Texas, objected to certain reading materials, with the result that the course was changed to their satisfaction.

Certain problems developed between administrative personnel, specifically between the project administrator (LSC) and the project director (LEA). These interface problems, at times, might have been the result of bringing in "outsiders" for purposes of management. Within one LSC, two changes in center managers were made during the course of the program.

Learning Support Mechanisms

The MSG report makes an inventory of the various incentives used, without however, determining precisely what effects they had. The effectivenss in the learning process is well documented (Educational Technology Conference - NYC). The incentives in the OEO experiment included points redeemable in catalog stores; money (play and real); and gift items such as dictionaries, telescopes, free time, credit cards, tickets, certificates, and emblems. In short, the extrinsic rewards mirrored the present society. Other firms stressed traditional instrinsic rewards -- the "heaven" approach, where you work now, reap your reward later, whatever the form. This contingency management measure (incentive) was designed: 1) to reward achievement, or 2) to influence behavior such as attitudes, attendance, speed, and comprehension.

Some performance contracts involved subcontracts between the student and the teacher. Students were encouraged to take the initiative and determine their goals, then schedule their tasks to achieve those goals. In some projects, tutoring was employed both singly and in small groups.

Test Results

The final portion of the MSG report is devoted to a cost analysis and comparison between experimental and control groups. Lacking achievement data, the analysis is based on costs only and does not provide a cost-effective measure. The analysis fails to take into account the incentive costs for teachers and LSC personnel and the associated administrative costs. Partly for this reason, project directors have questioned the validity of the approach.[42]

The cost analysis focuses on grades 3 and 8 as representative of the elementary and secondary programs. The rationale for the analysis rests in the consumption of resources -- their costs and a prorated cost for support services. All in all, the results are based on the examination of 12 of the control

schools and 10 of the experimental schools. A shortcoming of the approach is the unit -- costs per student per student year -- where student year is not actual time in minutes, but is average number of days of attendance. The method does not differentiate among courses with unequal time allotments per day as would the cost per student achievement gain method suggested by Joan Webster.[43]

Test Results Summarized

The following listing presents a summary of the test results as reported to the individual project sites in the OEO experiment.

SITE	REPORTED EFFECTS	MEASURED EFFECTS		
		SIGN DIFF+	GAINS*	
			E	C
Seattle, WA	very poor	11	1	6
Selmer, TN	slightly positive	3	3	0
Las Vegas, NV	unsuccessful	3	1	4
Dallas, TX	somewhat better	3	6	0
Bronx, NY	poor (grades 2 & 3)	1	0	2
Athens, GA	somewhat better	9	8	1
Jacksonville, Fl	somewhat faster/no difference	2	6	0
Hammond, IN	little difference	11	0	1
Portland, ME	quite poor	10	0	6
Hartford, CT	poor	2	1	3
McComb, MS	little difference	10	2	1
Rockland, ME	slightly positive	12	5	0
Anchorage, AK	positive	10	7	0
Philadelphia, PA	poor	6	0	5
Taft, TX	slightly positive	7	2	1
Mesa, AZ	no significant difference	2	2	2
Stockton, CA	very little difference	1	2	1
Fresno, CA	poor	7	0	5
Wichita, KA	little difference	7	1	1
Grand Rapids, MI	no data	-	-	-

+ number of pre-test significant differences in favor of control group out of 12 grade/subject combinations
* number of post-test significant differences in favor of E (experimental) or C (control) group out of 12 grade/subject combinations

The above results overwhelmingly condemn performance contracting in terms of the subjectively reported effects (which ranged from very poor to positive). The measured effects, however, do not provide evidence to support such a blanket denigration of performance contracting. First, the categories used

to establish the differences between the control and experimental groups are highly arbitrary. Second, there is no accounting for significant pre-test differences between the groups. Third, on the basis of the number of significant differences between the gains of the two groups no definite conclusions may be drawn. Fourth, judgments were based on grade equivalents.

It is immediately apparent from the number of significant pretest differences, that there was a mismatch on achievement in favor of the control group (in 10 sites a majority of the 12 grade/subject scores utilized favored the control group).

This report on test scores made at least two questionable assumptions. First, is assumed that adjustments for initial pre-test differences between groups is possible (see Klein paper in the appendix for criticism). An example of this assumption is the analysis of Hammond:

> "Since the control students started significantly ahead in every case but second grade reading, the mean gain comparisons underestimate the relative experimental gains by about 1-2 raw score points."

Second, while documenting pre- and post- test conditions, the report claims to be able to adjust for poor testing conditions or at least to gauge the effects, as in Hartford:

> "While some pre-test testing problems were reported, they appear to have affected both groups <u>equally</u>."

The reading on Dallas reflected the same questionable assumption:

> "Pre-test testing conditions in Dallas were poor in the upper grades for both experimental and control students. It is conceivable therefore, that although there were no real differences among the control and experimental students, poor testing conditions affected the seventh grade experimental group less adversely than the seventh grade control group and vice-versa in the eighth grade."

Third, the conclusion on Portland is just plain inaccurate:

> "Although the experimental group started significantly behind the control group in every grade and subject except second grade mathematics and ninth grade reading, the differences were not very great." (10 significant differences!)

Finally, the report of test scores is simply an interpretation that lacks persuasion, as in Jacksonville:

> "Students in the experimental group in Jacksonville seem to have achieved at a somewhat faster rate than the controls in the lower grades, but performance contracting seems to have made little difference in the upper grades."

The same result could have been reported in reverse order:

> Performance contracting seems to have made little difference in the upper grades, but students in the experimental group seem to have achieved at a somewhat faster rate than the controls in the lower grades.

Obviously, it depends on the point you are trying to make. Anchorage is another case in point:

> "Performance contracting in Anchorage showed a positive effect. The experimentals gained more than the controls in every grade/subject combination except in eighth grade mathematics, where there was no significant difference between the two groups.

Obviously there was a good bit of editorializing in the reported test results.

MSG Summary Statement

In summarizing the results of the experiment, the MSG cites as a major accomplishment the fact that all of the twenty school districts, six firms, and two teacher associations under contract when the project began remained in the project throughout its duration. In the wake of the Texarkana test teaching scandal, the highly structured OEO experiment showed: "No indication of teaching to the tests was uncovered. In that respect, the project should have been recognized for proving the effectiveness of safeguards-curriculum audit, multiple tests, penalty clauses, and test security.

The MSG suggests some recommendations on the basis of the monumental nation-wide experiment. First, LEA's should have greater input into the selection of schools and students (not by decree). Second, the requirements for the LEA representative, the project director, should be more specific about desired experience and capability. In some cases he was engaged at a rather late date, impeding the implementation of the contract. Third, roles should be defined more clearly, especially with regard to data collection and documentation. A number of obstacles were encountered in this area, due to: 1) late selection of TAC (August 21, 1970), 2) school district non-compliance, 3) split responsibilities of analysts engaged in doctoral research, 4)extreme variation in sophistication and capability of data reporting systems of schools, and 5) excessively detailed documentation.

To improve the stability of the student groups, they could be selected on the basis of pre-test scores rather than "baseline data," and two-thirds of a class could constitute the experimental group, with the remaining one-third serving as replacements. This would eliminate a number of the problems associated with these procedures during the experiment.

OEO Preliminary Report

The OEO Summary of Preliminary Results (February, 1972) has become a source of considerable controversy. This document, released at a Washington, D.C., press conference, armed the outspoken critics of the OEO Performance Incentive Remedial Education program (later simply called "Performance Contracting Experiment"). It "flunked" performance contracting as conducted in 1970-71. At the same time it caused advocates to stiffen in their resolve as they were backed into a corner.

At the press conference, OEO officials "reiterated" the objectives of the

experiment:

> "to test whether a representative group of private contractors with existing techniques operating under performance-based contracts could improve reading and mathematic skills of poor children."[44]

Why was the experiment undertaken?

- to help poor children
- attractiveness of concept and its emphasis on outputs
- favorable reports from Texarkana
- indications that performance contracting would become a fad[45]

On the other hand, the experiment did not intend to:

- provide a consumer's rating of various contractors
- determine which educational technique was best
- develop new education programs
- measure precisely the effect of incentives on contractors, teachers or students[46]

The experiment was intended to provide information that educators and school boards presumably need relative to performance contracting. The program was launched in May, 1970, shortly before the Texarkana scandal hit the deadlines. Results were originally slated to be released in the fall of 1971, which encouraged an attitude of "wait-for-a-year-and-see." OEO hoped to subject new instructional technologies to a "rigorous evaluation," capable of generating information with "broad applicability,"

Two aspects of the original objective of OEO's experiment can be challenged. First, as Loyd Dorsett has maintained, the LSC's selected were quite similar to one another, with all but one basically soft-ware oriented. In his estimation, there was a serious lack of representation of hardware-oriented approaches--audio-visual teaching machines, television or computer-assisted-instruction. As Martin and Briggs' stated "Most students end up using programmed workbooks."[47]

Second, the experiment was "to evaluate the relative effectiveness of existing techniques, not to underwrite the development of new techniques." It seemed quite clear from the Texarkana operation that, in the demonstration stage,

an LSC had to develop its program to make it work. The materials had to be adapted to the grade level and particular capability of each student. Later, the Rand report confirmed the developmental nature of instructional programs in performance contracts.

Prefacing its conclusions, OEO explained the basis for its generalizations: "The broad conclusions that are outlined here can be viewed with confidence, but idiosyncracies concerning sample characteristics, testing conditions, and other factors necessitate that caution be used when results for individual sites are examined."[48] The rationale for this approach is specious, particularly in view of Battelle's warning against interpreting aggregated results.

One of OEO's basic assumptions in measuring the results of the experiment was that success on standardized tests strongly related to general succcess in school. Therefore, achievement results would be generalizable, in their view.

In the area of testing, the OEO experiment was strongly influenced by events in Texarkana. Strict measures were taken to enforce test security; a strong penalty clause was provided (termination); LSC personnel were forbidden to administer or to score tests or to find out their identity; a curriculum audit was scheduled; and provision was made for retention tests to be given the following year. Because of this great concern for testing operations, communication gaps developed in the face of classified information.

OEO scheduled a variety of standardized tests for payment and for evaluating purposes. Initially high on criterion-references tests, OEO was unable to mount a successful testing program on the basis of item pools and consequently came to play down their significance: "It seems that some of the tests were too easy." In fact, it turned out that the TAC (testing and analysis contractor) did not review the tests before they were given; instead it certified them

afterward if they were okay. Although this matter is handled delicately in OEO and BMI reports, it is rumored that the TAC refused to certify a number of tests. OEO, in this report, admitted the sorry outcome: "Thus the IPO (interim performance objectives) appear to have been virtually useless for evaluation purposes and to have had questionable value for payment purposes."[49]

What results did OEO report at the press conference? To the question: "Was performance contracting more successful than traditional classroom methods in improving reading and mathematics skills of poor children?" They replied: "No." ". . .performance contracting was no more effective in either reading or mathematics than the traditional classroom methods of instruction."[50] (emphasis added)

While acknowledging, on the one hand, that the "students in the control group did unexpectedly well," they proceed to generalize: "Yet, in fact neither group did well." ("well" here means apparently achieving a one year grade level gain, attained by two of the twenty sites.)[51] Charles Stalford, project manager of the OEO experiment, conceded that a "horse race" was on, with but little control over the "control" group. He added that while OEO had little actual control over test quality, testing was a "bane" from the start.

The OEO results were even more disappointing from another point of view -- their relation to grade levels. It turned out that the experimental group slipped even further behind during the year. The point is hammered home: "Performance contracting was not responsible for any significant improvement on an overall basis."[52] (It turned out that OEO had its own definition of "significant" -- namely, .5 grade level gain.)

Looking for individual successes, OEO checked the 20th, 40th, 50th, 60th and 80th

percentiles, and concluded: "There is no evidence that performance contracting had differential results for the lowest or highest achieving students in the sample."[53] (Still the registered gains ranged from .4 to .8 grade equivalents.)

Finally, elaborating on its conclusions, OEO explained "that there were no significant differences in the achievement gains of E and C groups."[54] Further, "the most interesting aspect of these conclusions is their very consistency."[55]

Returning once again to the original objective of the experiment, it is interesting to note that while performance contracting is expected to improve skills, no reference/standard is given. The question naturally arises: Does "improve" mean to do better than the control group, or to do better than in previous years? Seemingly, OEO applied the first meaning, and failed performance conctracting for not doing any better than "traditional" methods.

In relation to what seems to have been a major concern for OEO -- indications that performance contracting would become a fad -- the summary concluded patently:

> "On the basis of these findings it is clear that there is no evidence to support a massive move to utilize performance contracting for remedial education in the nation's schools. School districts should be skeptical of extravagent claims for the concept."[56]

The intention may have been to halt an educational fad by concluding: "The results simply say than an uncritical rush to embrace these concepts is unwarranted at this time."[57]

Concerning the problems of poor children, OEO admitted: ". . .we still have no solutions to the specific problem of teaching disadvantaged youngsters basic mathematics and reading skills." "The search for solutions to these

problems must continue."[55] By such a clear and outspoken conclusion, OEO at least tacitly gave support to the theory that educational problems are unrelated to social and economic conditions, as the Coleman Report convincingly suggests. The basic problems may be more than mathematics and reading skills.

Basic Gain and Cost Data

OEO's summary provides important cost information on the various proposals of the six LSC's. Their prices ranged from $185 to $240 per student per subject per year (in keeping with the national average of roughly $200). This was done to facilitate the possibility of replicating the programs in any school in the country. Minimum gain guarantees ranged from .5 for grade 1 and 2 to 1.5 for grades 7-9 as shown in Table I.

TABLE I
MINIMUM ACHIEVEMENT LEVELS IN READING
AND MATHEMATICS GUARANTEED IN OEO
PERFORMANCE CONTRACTING EXPERIMENT

GRADE	A		LF		P		QED		S/G		WLC	
	r	m	r	m	r	m	r	m	r	m	r	m
1	* .8	.8	1.0	1.0	.5	.5	1.0	1.0	.5	.5	1.0	1.0
2	* .8	.8	1.0	1.0	1.0	1.0	1.0	1.0	.5	.5	1.0	1.0
3	* .8	.8	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
7	1.0	1.0	1.1	1.1	1.0	1.0	1.5	1.5	1.5	1.0	1.0	1.0
8	1.0	1.0	1.1	1.1	1.0	1.0	1.5	1.5	1.0	1.0	1.0	1.0
9	1.0	1.0	1.1	1.1	1.0	1.0	1.5	1.5	1.0	1.0	1.0	1.0

* - .5 at Taft

Note: As used in this section

r=	reading
m=	mathematics
E=	experimental group
C=	control group
$G.E_xQ./g.e.$=	grade equivalent
A=	Alpha Learning Systems
P=	Plan Education Centers
LF=	Learning Foundations, Inc.
QED=	Quality Education Development
S/G=	Singer/Graflex, Inc.
WLC=	Westinghouse Learning Corp.
BRL=	Behavioral Research Laboratories
COMGS=	Combined Motivation and Education Systems

From these tables, it is apparent that grade level gains must be more difficult to achieve in the lower grades since the guarantee level rises in both reading and mathematics in the higher grades. It is of some interest to note that minimum guarantees for reading and mathematics are identical at all levels for each company.

Similarly, it is worth examining the costs per student per grade level gain per subject. For example, how much does it cost each company to produce a gain of one year for a third grader in mathematics? The prices per grade level gain are listed in Table II.

TABLE II

PRICE PER STUDENT PER GRADE PER SUBJECT FOR ACHIEVEMENT GAIN OF ONE GRADE EQUIVALENT

GRADE	A		LF		P		QED		S/G		WLC	
	r	m	r	m	r	m	r	m	r	m	r	m
1	70	70	101	101	92	100	72	72	165	165	75	75
2	70	70	101	101	46	50	72	72	165	165	75	75
3	70	70	101	101	46	50	72	72	82	82	75	75
7	75	75	74	74	55	50	55	55	82	82	75	75
8	75	75	74	74	55	50	55	55	82	82	75	75
9	75	75	74	74	55	50	55	55	82	82	75	75

(all figures rounded off to nearest dollar)

As Table II shows, the LSC price per grade level gain generally decreases from grade 1 to grade 9. However, Plan's prices are interesting in that they show a higher cost per grade level gain in mathematics in the elementary and higher in reading in the secondary.

Finally, as shown in Table III, .1 grade level increase above the minimum guarantee would seem to reflect the motives of the LSC's -- i.e. where they expect to make their money.

TABLE III

PRICE PER STUDENT PER GRADE PER SUBJECT
FOR EVERY .1 GRADE EQUIVALENT GAIN
ABOVE MINIMUM GUARANTEE
ACHIEVEMENT LEVEL

GRADE	A		LF		P		QED		S/G		WLC	
	r	m	r	m	r	m	r	m	r	m	r	m
1	6	6	9	9	9	20	9	9	9	9	11	11
2	6	6	9	9	9	20	8	8	8	8	11	11
3	6	6	9	9	9	20	8	8	7	7	11	11
7	5	5	8	8	6	10	15	15	7	7	11	11
8	5	5	8	8	6	10	15	15	7	7	11	11
9	5	5	8	8	6	10	15	15	7	7	11	11

(all figures rounded off to nearest dollar)

Except for one firm, LSC's stood to gain more per .1 grade level in gain in the elementary than in the secondary. Plan again either anticipates a greater difficulty in teaching mathematics than in teaching reading or expects a greater profit from math than from reading.

Interim Report from TAC (Battelle)

Interpretations of the TAC report -- The Office of Economic Opportunity: Experiment in Educational Performance Contracting (January 29, 1972) -- served as the substance for the OEO press conference discussed earlier. This interim report by the TAC -- Battelle Memorial Institute -- anticipates its final form, except for its single method of analysis. This pre-post method of analysis is limited to measuring gains for roughly two-thirds of the students in the experiment. The others, who did not complete the program or missed one of the tests, were not included (until the final report). Contrary to other reports, TAC's analysis was done with raw scores. Grade equivalents were used only for the convenience of reporting ("a commonly used metric".)

To determine first grade results, a readiness pre-test was compared with a first grade reading post-test. (Webster, Hall and Blaschke criticized the

use of first graders in the experiment.) Nevertheless, the TAC reported the following results: (pp 76-83)

Grade 1 - "Overall, positive differences in post-test means occur in 5 out of 8 sites in reading, and occur in 3 out of 6 sites in mathematics."

Grade 2 - "The table shows 3 positive and 7 negative differences in post-test means in reading; and 2 positive and 7 negative differences in mathematics."

Grade 3 - "The results show 3 positive and 4 negative differences in the post-test means for reading; and 5 positive and 8 negative differences in the post-test means for mathematics."

Grade 7 - "In reading there was one positive and one negative difference in post-test means. In mathematics all 4 differences were negative."

Grade 8 - "Three sites out of 8 showed positive impacts in reading; none of the 6 sites showed positive impacts in mathematics."

Grade 9 - "In both reading and mathematics, 3 of the 6 showed positive differences in the regression estimates of the post-test means."

It is noteworthy that the conclusions were based on sites showing significant group differences. Results summarized below indicate the number of significant differences by grade level for reading and mathematics.

Grade	r	m	r'	m'	Low pre-post correlation
1	8	6	6	6	.40
2	10	9	7	8	.50
3	7	13	4	11	.50
7	2	4	2	3	.60
8	8	6	5	5	.60
9	6	6	5	5	.60
	41	44	29	38	

' - excluding tests with low pre-post correlation

Out of a total of 212 possible grade/site/subject combinations, the above refers to a total of 85, or 67 when tests with a low pre-post correlation are excluded. It is clear that these cases comprise less than half

of the total number of 212.

Finally, the TAC summarized its preliminary findings in a chart that pointed out instances where the results between the control and experimental students were significantly different. These differences were labeled "positive impacts" or "negative impacts" according to their relation to the experimental group.

> ". . .Five positive impacts were obtained (for grade 1 in reading and) for grade 3 in mathematics. No other grade/subject combination shows a greater number of positive impacts. The smallest number of positive impacts for grade/subject combinations occurred for grades 7 and 8 in mathematics where no positive impacts were obtained. The corresponding maximum and minimum number of negative impacts are seen to be 8 for grade 3 mathematics, and one for grade 7 reading."59

Continuing with the TAC summary:

> "An examination of the row totals shows that (Dallas and) Jacksonville (both) exhibited 6 positive impacts. The sites showing no positive impacts are Philadelphia, Hartford, (McComb), Seattle, and Bronx. The maximum number of negative impacts is shown by the (9) negative impacts at Seattle. No negative impacts occurred at Athens, Dallas, Anchorage, and Jacksonville. The difference between the number of positive impacts and the number of negative impacts is seen to be a maximum at 6 for (Dallas and) Jacksonville and a minimum of (-9) for Seattle."60

In this appraisal, Battelle may not have clearly portrayed the overall summary of results. A more detailed report of these results is given below:

	Reading			Mathematics		
GRADE	+	nd	-	+	nd	-
1	5	9	3	3	11	3
2	3	8	7	2	9	7
3	3	11	4	5	5	8
7	1	16	1	0	14	4
8	3	10	5	0	12	6
9	3	11	3	3	11	3
	18	65	23	13	62	31

	+	nd	-
Reading	18	65	23
Math	13	62	31
	31	127	54

nd = no significant difference
+ = significant difference in gain favoring experimentals
- = significant difference in gain favoring controls

In its findings, Battelle cites 127 instances where there were no significant differences between the performance of experimental and control groups. This total represents a majority of the 212 possible grade/site/subject combinations. Despite the fact, Battelle closed its interim report rather matter-of-factly:

> "The lower right-hand totals show that 31 positive impacts occurred, 54 negative impacts occurred and 127 differences were not significant."61

To report the documented results, TAC could have used any of these five alternatives:

1. E did no better than C.
2. E did no worse than C.
3. E and C did equally well.
4. E and C did equally poorly.
5. The results are inconclusive.

It is also important to distinguish between the two meanings of "significant" as used by OEO and TAC. For OEO, .5 or better grade equivalent gains were significant. Battelle, however, considered gains from 0 to 1.6 grade equivalents significant, for example:

Grade Equivalent Numbers	Number
0	1
.1	7
.2	20
.3	12
.4	12
.5	9
.6	9
.7	4
.9	6
1.0	1
1.1	3
1.6	1
TOTAL	85

OEO and Battelle were talking a different language when referring to significant differences. Lastly, a few comments are in order (1) there was

overlap in the MSG-TAC roles and reports,(2) neither conducted process evaluation, concentrating instead on program, and (3) Battelle made little mention of important E/C differences.

Final Report From TAC

Battelle Memorial Institute (BMI) in its final report, elaborated on the results and conclusions developed for the OEO Summary of Preliminary Results. In fact, BMI returned to polish up its work and to shift major emphases. Moreover, subtle and obvious changes alike were made. First, low pre-post test correlations were no longer listed. Second, the interpretation of first grade scores was revised because of the different tests used on a pre-post basis. Additionally, the report on the "incentives only" sites in Stockton and Mesa, the results of retention testing, the comparison with special remedial programs were included. BMI qualifies its work in the final volume, claiming no knowledge of the tests used for payment purposes only.

It is useful to compare the spirit of the interim and final reports:

> "The hypothesis underlying these two programs was that low-income, low-achieving students instructed for one year by regular school techniques to which the use of incentives had been added would register better achievement on standardized tests than a similar control group of students not receiving the incentives."62 (underlined phrases appear only in final report)

In its interim report, BMI admitted: "Consequently, for race and income, descriptive information (aggregated across sites would be misleading) and thus data are given on a site by site basis only."[63] (parenthesized later deleted in final volume)

As its major concern in revising the interim report, BMI reconsidered the characteristics of the participants and their group differences. This results in the inclusion of this phrase:

> "Thus, of the 14 sites for which race data were available for both experimental and control groups, for 10 of these sites the percentage of whites in the control group is higher than the percentage of whites in the experimental group."[64]

This leads to the changed conclusions:

> "In summary, often marked differences appeared between experimental and control groups within a site in racial composition."[65]

Battelle adds another observation, unmade earlier: "The data in Table III reveal E/C group differences in income."[66] (emphasis added) It continues by noting differences within sites between elementary and junior high/secondary levels, which leads to a suspicion of generalizations even on a site basis.

With regard to the education of the participant's father, BMI adds:

> "Examination of these data show certain E/C group differences within sites. Thus, in 9 of the 18 sites, the control group has a smaller percentage of fathers with 'less than high school' than does the experimental group, and a higher percentage of 'more than high school' than does the experimental group."[67]

Further, BMI adds in the final version: "As with the variables of education, income and race, E/C group differences within sites occur."[68] To bolster its case for E/C group differences, BMI admits: ". . .differences between E and C groups in entry level are nonetheless apparent. . ."[69] To document this case, BMI cites 84 of 106 site/grade/subject area combinations at the secondary level where "average grade equivalencies are generally higher than for the control group. While less marked on the elementary level, the percentage is still high with 66 of 106 combinations showing control groups achievement level entry higher than for experimental."[70]

In concise narrative and graphic fashion, BMI summarizes student progress -- E and C -- in the final report:

"As shown in Figure 1, both experimental and control students in Grade 2 start out at about the same amount below grade level . . ., and both E and C groups get further behind grade level with each succeeding year in school. Also, as the grade level increases, the separation between experimental and control groups increases, and more so for reading than for mathematics. For each group in each subject area, the rate at which students fall behind grade level seems to be about constant from year to year. . .. Finally, both E and C students fall further behind grade level in reading than in mathematics."71

TABLE IV

OVERALL MEAN PRE-TEST GEC VALUES FOR READING AND MATHEMATICS, BY GROUP AND GRADE, FOR ALL SITES

	R		M	
GRADE	E	C	E	C
2	1.5	1.6	1.4	1.4
5	2.1	2.3	2.2	2.3
7	4.5	5.0	4.7	5.1
8	4.8	5.6	5.4	5.9
9	5.6	6.4	6.0	6.6

An interesting and documented conclusion reached in the final report is the following:

". . .the overall entry level achievement of full-year students and dropouts is the same, and the dropouts are not a different group than full-year students with respect to achievement level."73

Dropouts and those students who have missed either pre or post tests, amount to one-third of the participants in the OEO experiment. The basis for this similarity is the baseline data developed by means of a standardized pre-test.

In addition to considering group differences when interpreting the test results, testing procedures and conditions must be examined. ". . .such assessment (of classroom test conditions) bear directly on interpretation of the result and conclusions subsequently presented in the analysis section of this report."[74]

With that intention in mind, BMI's actual description of pre-testing difficulties is not altogether persuasive:

> "In summary, in all those 13 sites where general or specific incidents or conditions were reported, the type of problem reported most often centered around discipline problems in the classroom and lack of test-taking motivation. To a lesser degree, problems were created by administrative confusion resulting from the opening of school, late selection of students to be tested, and sometimes lack of communication to building personnel."[75]

BMI was selected as testing and analysis contractor for the OEO experiment in mid-August, with the result that BMI's role in pre-service training was less than desired. In describing its method of data analysis, BMI explained alternative methods employed, having deleted mention of "qualitative judgments" in the interim report in favor of "associated statistical tests" in the final version, as a means of obtaining the primary results.

The interim report was developed by the application of a pre-post model to test scores. Group differences on the pre-test are the only ones considered quantitatively in the model. The final report went beyond the pre-test differences, and considered factors such as race, father's education, family income and parental attitudes. In their own words:

> "These particular variables were chosen because they were judged to have a potentially high relationship with post-test performance, because there were observed differences between the E and C groups on these variables to provide sufficient data within most grade-sites to warrant inclusion in any analysis."[76]

In sum, Battelle's method of analysis was to "treat the post-test score as a dependent variable; treat group membership, pre-test scores, and selected other variables as independent variables; and analyze the results using regression analysis."[77]

Defending the rationale of its approach, BMI explains: "Thus, the regression technique, in the above-outlines way, "takes into account" or "adjusts for" initial differences between the groups on the pre-test."[78]

BMI's revised conclusions follow:

> "Thus, the control groups exhibited statistically superior performance as determined by the regression analyses in approximately twice as many instances as did the experimental groups. However, by far the major outcome was no statistically significant difference between the groups, since 124 differences were not significant."79

In unexpected fashion and seemingly contrary to OEO's purposes BMI adds the comment: "It is also interesting to note that 23 of the 28 positive impacts occurred at sites associated with three of the six technology companies, ..." While refraining from identifying them by name in the report, BMI fails to note that all of the three have withdrawn from the performance contracting field.

Using its second method of analysis -- the extended variables model -- BMI reports that: ". . . application of the EVM provides even less evidence in favor of an experimental group impact than the PPM, simply because the proportion of positive impacts is less.[80]

Contrary to OEO's practice, BMI intended the primary emphasis in its data analyses to be the results "at a grade/site level." Yet a comparison aggregated across sites yields information, of some limited value: "As shown there the difference in pre-post gains between the two groups, either in raw scores or grade equivalents, are very small."[81] To sum it up, "In other words, the rate of achievement of the experimental groups is not improved to any noteworthy extent over that of the control groups."[82]

Based finally on a more precise analysis and interpretation of preliminary results and on an alternative method for analysis of more complex events, BMI draws the following, carefully stated conclusion:

> "There is very little evidence that performance incentive contracting, as implemented by the technology companies at the 18 school districts in this study for a period of one year, had a beneficial effect on the reading and mathematics achievement of students participating in the experiment, as measured by a standardized achievement."83

And with respect to the incentives only sites at Stockton and Mesa, BMI summarizes: "Overall, there is little or no evidence at Stockton and Mesa that the 'Incentive Only' programs were beneficial to the students in reading or mathematics achievement, as measured by a standardized test."[84]

The project director started with praise for OEO: "OEO had the fortitude to take the bold step in sponsoring the project in full realization of its inevitably controversial nature."[85] The directors cited certain constraints (found also in the MSG report), centering on the lack of sufficient time, but also referring to the lack of early LEA involvement, the late selection of the TAC, and inadequate pre-service training.

The LSC's were criticized for ill-timed hiring of project administrators (LSC representatives) which slowed down the implementation process. They concurred with the conclusions reached by the Rand team -- that performance contracts are developmental in nature, without a set instructional package. In their words, "The blend, mix and management of materials making up the instructional strategy were the things that were new to school systems."[86]

By the end of the year, there emerged a somewhat common core program, which witnessed the fact ". . .that each company did not have an individual or unique curriculum approach."[87]

In pinpointing problems, the project directors echoed many of the concerns of the MSG -- unclear definition of roles between LEA and LSC representatives, problems with documentation, curricular areas and their distinctions. As regards the MSG, the project directors noted its lack of authority to make decisions within the OEO structure, its defective cost analysis model, its questionnable curriculum audit, and insufficient feedback from the voluminous documentation. Part of the criticism of the cost analysis and curriculum audit was the lack of uniformity and substantiation in the collecting data.

In relation to the TAC, they fault the short preplanning time, the wide range in TAC personnel, the late print-out of pre-test information, unsatisfactory IPO's ("routine test to stimulate the cash flow for the subcontractors".) These criticisms notwithstanding, they had good words for improved test conditions on the post-test.

In their recommendations, the project directors urged improved lines of communication, both horizontally and vertically, clearer definition of roles for the LEA and LSC, closer attention to local structures and state requirements, greater use of legal counsel, use of criterion-referenced tests, better integration of the program into the system, ongoing evaluation, penalties for LEA contract default or violation.

The directors press home the need for defining objectives and designing appropriate tests to measure the achievement of those objectives. Increased accountability will be the end result.

The four LSC's represented in this statement, take serious issue with the match (or mismatch) between control and experimental students and the use of standardized tests to measure specific learning. In their view, the OEO experiment was plagued by (1) limited time for proposals, negotiations, familiarization and start-up and (2) an overreaction to the danger of "teaching the test."

Unlike the project directors, the contractors criticize OEO in specifics:

> "To all intents and purposes the OEO functioned in the performance contracting project not as a sponsor but as a research institute which delegated only the instructional responsibility to the performance contractors."[88]

Moreover, they objected to the ". . .appropriation of absolute authority over every aspect of the evaluation process."[89]

Standardized tests came under particularly heavy attack. As measures of general educational achievement, they are unable to measure basic skills. (Tom Byrns of USOE phrased it well when he said that standardized tests did not give a "fine tuning" on performance contracting.) In addition, the LSC's considered the rate of learning to be as important as the level.

The four company signatories regarded the OEO project as "as a very large quasi-experiment, of limited external validity, fraught with start-up difficulties, teacher resistance, poor testing conditions, and other problems that adversely affected the experimental groups."[90] As a result of this experience, things have polarized the educational community and the private sector. Acknowledging the results of the experiment to be "inconclusive," the LSC's urge continued investigation of accountability under controlled experimentation.

CHAPTER VI

LEGAL IMPLICATIONS AND COMPLICATIONS IN PERFORMANCE CONTRACTING

The specter of legal complications has occasionally haunted the performance contracting scene. The presence of this check has affected even the boldest entrepreneur and given a reassuring sign for the less courageous. Laws have armed the opponents of change, enabling them to have control over events through the weapons of injunctions, lawsuits, decommission and strikes. Whether exercised or not, the threat to use these means has carried real clout. Consequently, the bluff has rarely been called.

In relation to performance contracting, the question -- "Is it legal?" -- has secondary importance. Of greater significance is the matter of what it can do. If it can in effect break the poverty cycle and facilitate learning at less expense, it will encounter little opposition. If, on the contrary, it flounders and merely aggravates the current dilemma, then the legal process will likely confine its existence.

Charles Blaschke put it rather astutely: "There really aren't any legal problems in education. They're political problems. When a program looks like it will be successful and someone's ox is being gored, then a host of archaic laws and regulations are discovered." To illustrate the point, he cited the breaking of 186 laws in performance contracting programs, 17 alone in Texarkana (based on a thesis by Yale law student Dean Ringel). There are, then, means of circumventing legal barriers when the need for such action is compelling enough.

Legal and Contractual Stipulations

A fairly substantial amount of material -- by Martin, Stenner, Adams and Kitchak, Blaschke, Mayhofer and Ringel -- has been written on the performance contract proper, with its basic stipulations. The conditions of the agreement are largely a product of the circumstances and people involved, with a

sizeable domain left to a "good faith" basis of action. (This is particularly true in the area of LEA responsibilities and levels of effort.) In view of the short lifetime of performance contracting, it is hard to speak of the development of an instrument -- say, a uniform contract -- to establish the desired situation. Many of the contracts have been modelled after previous ones or prepared by Learning Services Contractor's (LSC's) and then abandoned upon completion of the project or turnkeying it. At any rate, it is imperative that a study of all of those documents be made to derive the greatest advantage from this experience. Certainly there will be a carry-over to other general employment contracts.

The actual number of legal complications that have come about in the 100+ performance contracts is relatively small. In fact, the practice seemed to have enjoyed a kind of diplomatic immunity in its demonstration stages. Where difficulties did occur, as for example Gary, there were other extenuating circumstances that precipitated the legal action. Where responsible persons were by-passed, where procedures were not followed, where communication broke down, where trust was lacking, there laws and regulations came in handy. Where forces were divisive, where goals conflicted, where constraints impinged upon individuals, recourse to legal process became inevitable.

Writers unequivocally stress the need for implementing a demonstrated program according to the "law." This especially applies when local monies are being spent. The underlying assumption is that performance contracts cannot outstrip local and state custom without running risks.

Incidently, there may be a certain "fall-out" factor from performance contracts. The educational crime of "teaching the test" may not be the exclusive practice of the industrial educational complex. Also, parents, administrators and even children may not be so easily satisfied when asking for proof about

the work of a school. With time, the wake of performance contracting may reach even the most ordinary school and teacher.

The Management Support Group/Contractor (MSG) report on the Office of Economic Opportunity (OEO) experiment documents certain legal episodes occasioned by performance contracting. In addition, the Rand volumes on Gary and Texarkana relate whole series of events in the resolution of conflicts at those two sites. With the Dorsett case still in process and a Seattle lawsuit as yet unsettled, there is limited information on the details of the charges or the reasons for such actions. It is, however, safe to venture that legal action is as possible under a performance contract as it is under more common and ordinary contracts -- sales, employment and marriage.

In at least one case, in the OEO experiment, a ruling by the state's attorney general was requested to determine whether a Local Educational Agency (LEA) could by-pass the State Educational Agency (SEA) and even the governor in carrying out its contract with a federal agency. This issue would seem to be a power struggle between states' rights and federalism. The performance contract may serve only to demonstrate dispute over governmental domains. (The OEO contract was upheld in the above example.)

In another instance, this time in New York, it was decided by either the SEA or State Board of Education, that performance contracting was illegal, where local and State monies were to be used. When, however, federal dollars were available, the obstacle dissolved. Obviously, the issue in conflict was economics rather than law.

A San Diego legal counsel ruled that performance contracting in California was illegal. Shortly thereafter, the California legislature passed its "Guaranteed Learning Achievement Act of 1971" which established the legitimacy of performance contracts in that state.

A by-product of the performance contracting experience has been the recognition of relative naivete of educators in matter of law. With the need for increasing awareness of legal parameters, and the accompanying need for legal changes, schools must gear up to achieve any effectiveness in their operations when confronted by legal hang-ups. The alternative is for schools to become completely defensive and reactive in posture.

At the same time there is a need for leadership from the schools, who, acting out of principle and conviction, bring about legal reform that benefits not only schools, but the whole of society as well. Educators, moved by conscience and awareness of the public law, can have a powerful effect upon generations of people.

State Legislation

As noted earlier, recent legislation in the state of California will have a decided impact on the future of performance contracting. The law, taking effect in March of 1972, has essentially two aims -- to improve quality and to cut costs (as is the case elsewhere, the priorities may be reversed). Specifically, it focuses on the elementary grades and reading and mathematic skills. Passage of this bill approved the use of local, state and federal funds for purposes of performance contracts ("Guaranteed learning achievement"). Colorado and Florida have passed similar legislation with somewhat similar provisions. As is the case in Michigan, participation is on a voluntary basis.

The thrust of the acts is to make schools responsible for their children/students, not only to the parents and children, but responsible to the SEA as well. In the spirit of accountability, schools will be held accountable for the achievement of their charges. State control becomes more apparent in the requirement for state approval of evaluation designs and exclusive

control over test administration. Intended initially as an experimental program on a representative basis, the law remains in effect until June 30, 1975. It assuages teachers by promising that no certificated employee shall lose his position as a result. The project is demonstrative in nature, intended to be a model for replication.

Jim Mecklenburger regarded the California law as unique in three aspects: 1) it makes the performance contracting concept legal, 2) the SEA does the testing, and 3) it provides for contracting for objectives other than standardized test scores.

The law might, however, run into some practical difficulties. Most LSC's have left the scene, many for reasons of insolvency. Contractors might just finally have the market advantage. One other observation -- a reliable source has indicated that a California based firm may be the only company interested in performance contracts in 1972-73. If that is the case, that LSC is well located.

In 1971, Illinois attempted to make it legal for school districts to enter into contractual agreements with private firms or associations. According to State Superintendent of Public Instruction Michael Bakalis, the bill, in the Senate Education Committee, stands little chance of becoming law.

Powers and Responsibilities

For a closer look at the specifics of the legal matters, it is well to consider the experience of Reed Martin and Peter Briggs who, while with "ETS", designed many of the performance contracts including the ones in Dallas and Virginia. They are concerned with two specific domains: 1) a school board's contracting authority and 2) the delegation of power. Performance contracting is not and cannot be an "out". Although advertised as low risk and low cost, it cannot be construed to be a school board's

absolving itself of the ultimate responsibility in policy matters. (Gary ran into initial difficulties by "turning over" Banneker school to an outside firm to run. Their contract and experience are instructive on this matter.)

Similarly, teachers are hired for an express purpose; they cannot be circumvented without violating state statutes or teacher union agreements. The firm must operate within constraints basically like those under which teachers function. Otherwise, independent, profit-making contractors would enjoy special privilege.

Martin and Briggs cite testing and payment as the most controversial and most difficult areas of performance contracts.[96] Their provisions usually comprise the major portion of the contract. Martin offers the suggestion that performance contracting, as a "tool for institutional reform" can work toward the end that "schools can increase their ability to meet their responsibilities to their state, their students or clients, and themselves."[97]

Gene Glass criticizes this form of advertised educational accountability:

> "The problem with this ersatz accountability is that it doesn't make the schoolman accountable to the public at all. It shifts the onus of schooling off the schoolman's shoulders onto private contractors, who are all too willing to serve as the whipping boy for unsuccessful schooling provided the price is right."[98]

Reed Martin describes a procedure that would keep a school on the safest ground: 1) setting goals with the public, 2) using a Request For a Proposal (RFP) and competitive bidding to select a Learning Services Contractor (LSC), 3) specifying in the contract the procedures for taking over the operation of a successfully demonstrated instructional program (turnkey), and 4) providing for independent evaluation or audit procedures, to maintain credibility in the public's eyes.[99] (Notwithstanding the logic of his argument, it should nevertheless be pointed out that Martin was employed by "ETS", a firm providing

technical assistance to schools and featuring MSG, evaluation and audit capabilities.

Roald Campbell and James Lorion in their book, devote one section to a discussion of legal implications. They refer specifically to the Office of Economic Opportunity (OEO) contracts and the matter of a school board's "supervision and control." They suggest a natural inconsistency in the role of the LSC, who is either an independent contractor or an employee of the school board. If he is the former, then the board has relinquished its control. If he is the latter, then the board is liable for his program, which would have major implications. The authors, however, speculate:

> "Courts in the past have not let the rigid rules of hornbook law hamstring programs whose underlying policies were sound, and there is probably enough flexibility in the common law to allow it to reconcile two clauses incompatible at first glance."[100]

The OEO experiment introduced a "federal presence: into performance contracting (sometimes affectionately known as the Washington syndrome). (OEO for example, in contracting primarly with school boards for remedial education, including contractual provision for "non-discrimination" and "equal opportunity" clauses.) It also succeeded in enacting certain promises from LEA's: to supply information, to give "notice prior to publication," to develop community sentiment, and to assume the burden of recovering overpayments to the subcontractors -- LSC's. Moreover, OEO reserved the "right to inspect" all work done by the LSC at "all reasonable times." (There would probably be bases to test the legality of this "intervention.) Finally, LSC's were required to post performance bonds, were assumed to be in a direct relationship to OEO, a relationship that theoretically superseded the authority of the SEA and even the governor. (This was contested in one state, but the interpretation was upheld.)[101]

The OEO-Testing Analysis Contractor (TAC) contract also reflected the

"federal presence." Of special interest was the explicit provision of the names of the people considered essential to the evaluation program. Battelle Memorial Institute - Columbus, Ohio (BMI) disavowed any conflict of interest or any financial interest in the LSC's; it agreed to the "notice prior to publication" clause; and promised to stay out of the field during the course of the experiment (i.e. to remain disengaged from performance contracts). These provisions were in accordance with OEO's "rigorous evaluation design," which program success or failure turned on objective and disinterested testing and evaluation.[102]

In summary of their discussion, Campbell and Lorion predict:

> "So long as the purposes of the new practice appear to be desirable, it is unlikely that the courts will impede the growth of the field, and performance contractors and school officials usually will be left on their own to resolve the educational and administrative disputes that will inevitably arise."[103]

In Summary

A few final comments on the legal implications of performance contracting. First, federal interpretations have played a not insignificant role. For example, Texarkana started with Title VIII ESEA and Model Cities funds. Since that time other monies have been made available -- namely ESEA I & III, which has facilitated the development of performance contracting to this point. When Title I monies were declared eligible for use in performance contracts, it became possible to plan something like the Virginia state-wide projects. Other states, however, have not followed suit, reserving the right to make their own funding decisions. Consequently, performance contracting with Title I monies has been virtually impossible in certain states.

A minor problem has arisen in conjunction with the materials developed over the course of the program. In some cases, LSC's have been able to copyright the materials produced by research and development in public schools.

Finally, a sign of progress is the occasional provision for student rights, which are recognized by the contractor and all of his personnel. For too long, schools have not been learner-centered. By recognizing a basic bill of rights for students, a new attitude is manifested. This should check traditional manipulation of students for purposes of experimentation. It should also challenge those who speak of low risk, low cost programs. If students are the most important, then their welfare should assume top priority.

At an Educational Technology Conference and in a paper prepared for the American Educational Research Association, Myron Lieberman discussed the matter of employment contracts and the effects of performance contracting. He distilled a number of issues to which the American Federation of Teachers (AFT) had initially responded in gut-level fashion. For example, he brought up the matter of a school's responsibility to its teachers, new and altered job descriptions for teachers, and teachers' share in increased productivity (cost-effectiveness).

Lieberman contended that in contracting out "work" a school acts counter to collective bargaining laws. It also runs the risk of delegating powers specifically assigned to a school board. OEO came under criticism for not considering the questions: What do we do if it works? What are the implications of a cost-effective instructional program? Can it be permitted to deny working agreements developed over time? These and many more implications must be addressed if performance contracting is not to offend the entire educational community.

As an innovative program, performance contracting has served the function of a Trojan horse, transporting new and used methods and materials which are accidental, not essential characteristics of performance contracts.

These fellow-travelers have included: research and development incentives/ contingency management, differentiated staffing, teaching machines, teaching "instruments", desegregation, standarized tests, evaluation, audit, in-service/ pre-service training, management support, criterion-referenced tests, merit pay and programmed learning. The movement resembles closely the legislative process, whereby riders are attached to bills often indiscriminately.

CHAPTER VII

ROLE OF THE STATE EDUCATIONAL AGENCY (SEA) - TRENDS AND DEVELOPMENTS

There are important lessons in the performance contracting experience for state educational agencies (SEA's). The answers to a questionnaire sent to all Chief State School Officers made it appear that state educational agencies (SEA's) have not compiled a compendium of information on this subject. While the responses were reasonably prompt, and the return was good (48 of 50), the information was not extensive and often quite incomplete.

For an SEA to follow the scenes closely, it needs the staff flexibility to take on assignments as they develop. It also requires a research and development capability to conduct in-depth study of contemporary issues such as performance contracting. It needs a sure contact with the field in order to feel what is going on in our schools.

SEA Postures on Performance Contracting

State educational agency (SEA) responses to programs such as performance contracting can assume a variety of shapes. The Florida SEA, for example, has taken a neutral position in order not to interfere with local educational agency (LEA) efforts. Colorado, Michigan, Virginia and California, on the other hand, have launched state-wide projects for purposes of demonstration and replication of measures of accountability.

Hawaii developed a position paper for the state board of education. At the same time, it undertook a survey of mainland performance contracts, expecting to report the results in June, 1972. In its actions, the Hawaii SEA played a research and development role for the state board of education.

Other SEA's approach these matters on a regional basis, cooperating to develop extensive reports of timely relevance to participating states.

For example, Upper Mid-West Region for Interstate Projects (UMRIP) sponsored a previous conference/study and supports this continuation project. Farther west, the Rocky Mountain Region prepared a guide on performance contracting also. While the regional efforts were underway, state projects were released which had been undertaken separately-e.g. the Michigan guidelines and the New Mexico reports on performance contracting and on accountability.

State Involvement in Performance Contracting Activities

Obviously SEA's have different levels of involvement in matters like performance contracting (which has been tested in some 31 states). There will then be different degrees of responsibility for state projects, depending on the funding source. Indiana, New York and Texas were forced to react to specific developments within the state. The Indiana SEA, embroiled in the Banneker controversy, supported state standards for teacher certification and for instructional time allotment; the result was a confrontation, resolved partly through intervention of John L. Loughlin, Superintendent of Public Instruction, and the Indiana SEA staff.

In Texas the state attorney general was asked to rule on the legality of educational performance contracting on a demonstration-i.e. with the intention of turning the operation back to the school upon its successful demonstration. The method was determined to be legal.

In New York, for various reasons it was decided that performance contracting was illegal - an interesting way of saying that federal money could support such programs, but not local and state dollars.

What then are the alternatives for SEA's when keeping an eye on developments in schools within the state and beyond its borders? There is no pat answer. It depends largely on SEA resources. Probably the hardest and most time-consuming task is gathering accurate, first-hand information. How that infor-

mation can then be made available to decision-makers is a dissemination problem.

Conferences are seasonal, somewhat expensive and of varying effectiveness. A source of surprise from the returned questionnaires was that only 3 states reported holding conferences or workshops on performance contracting (Minnesota, Missouri and Iowa).

A useful device in this whole area would seem to be the simulation exercise-e.g. the simulation of negotiating and planning a performance contract as developed by Mecklenburger and Saretsky for the 1972 AERA conference. This serious kind of role playing and interaction leads to a feeling and appreciation of the interests and people involved.

Films are inexpensive, although they quickly become dated. The Performance Contracting Experience in Grand Rapids, directed by Mecklenburger with help from Webster and Indiana University, A-V Department, gave a real sense of the instructional program and how it worked on an individual level. Visual description has no peer, especially in depicting people-processes. (Readin', 'Ritin', & 'Rithmetic, Inc., produced for the television show Black Journal, was a one-hour program devoted to the Banneker performance contract in Gary, Indiana. In introducing the program and its personnel, the film was rich in personal detail). SEA's have not begun to touch the limits to visual technology.

SEA's might provide legal assistance to LEA's, who are physically or financially limited in that resource. This would seem to complement other state supervisory responsibilities.

Finally, SEA's, singly or in combination with public institutions of learning could develop capabilities for rendering technical assistance, evaluation or audit functions within the coordinated system of education. This may be a

means to improve and to restore public education. A sales pitch won't work, when the customer wants proof.

CHAPTER VIII

IN CONCLUSION

Where does it all lead? What will become of performance contracting? Here are excerpts from performance contractors' judgments. You decide what they mean: (emphasis added)

"Performance contracting is a way to know of our other services related to accountability in education. . . . We are currently working in conjunction with one of the world's leading accounting firms to plan and assist in the implementation of state-wide and major districts' accountability programs in a PPBS format."

"In addition to contracting for elementary and secondary education, we have a new offering in the form of in-service staff training programs for local school districts in human awareness."

"... we do not intend to use performance contracting as a major marketing tool, rather we are using it as a demonstration technique of the effectivenss of our systems in certain areas. We feel strongly that a performance contract should not be used as a vehicle to test absolutely new materials, as this puts all the risk on the school systems and none on the educational materials producer."

"We have purposely limited our activities in this area (performance contracting) beacuse of the limitations of available measuring instruments as well as the relative unsophistication of many school districts."

"The Board of Directors of x has decided not to pursue additional activities in the performance contracting area because of the financial exposure required, based upon the use of norm referenced tests to measure student achievement . . . it is rather clear that norm referenced tests are totally inappropriate as measuring instruments for this purpose. . . . I believe the concept of accountability is worth saving."

". . .we have been expanding our capabilities, planning and developing a variety of managerial innovations for SEA's, which we feel will become increasingly more responsible for 'honing the current edge' of educational reform.

. . .we are studying distribution formulas which take into account the cost variances and incentives required to encourage efficient management at the LEA level."

"The OEO projects were set up to fail, not OEO... There was a hidden agenda . . . it was an OEO failure from the start. Companies never had a prayer."

"When subject to the same general constraints, a private company can't do any better than a well-administered school . . . We shouldn't deceive ourselves in saying we're using the best instructional methodology now. . .we are still ready to take on a performance contract, anytime, anywhere."

"We were able to get these truly dramatic gains because of suggestions and input from administrators and teachers in schools like yours located all over the country.

Perhaps, you have a problem in your school systems (SEA) with which we could help you. We are very proud of our programs and would be happy to work with you."

"This guarantee, the first such plan offered by a major publisher, is one approach in the general area of accountability. It is not performance contracting in the usual sense of the word. (We) sell (our) program to the school and provide consultant services. All aspects of the use of the program are under the control of the school and its personnel. The school even selects the pre- and post-test instruments."

It is also important to consider the words of those who were actively involved in actual performance contracting programs. From their impressions plus those of the contractors a prediction can be made:

"Nobody seems to like it but the customers that buy it."

"It offers an economically feasible way to pilot new instructional systems."

"If performance contracting is allowed to stand or fall on its instructional and management merits and if it can be evaluated objectively within feasible expectancy levels, it might provide education a powerful management tool."

"Little is known about performance contracting. Part of the reason is political, since there are empires to protect. . . Performance contracting has disappeared or will disappear because of testing."

"You can't continue to fund unless you have federal funds."

"Dramatic and quick results aren't realistic. Development of the Salk vaccine came about because of the trial and error method."

"It is likely that this coming year school personnel and communities will press for this type of institutional flexibility. Schools and teachers would then be able to be much more effective consumers of what private industry and others might have to offer through performance contracting."

" x is likely to be the only company to make money on performance contracting."

"Performance contracting trotted a skeleton in the closet out into the open."

"The ultimate goal is individualized instruction, which is the right materials to the right kids at the right time."

"We hope next to be able to say very positively that this is what we can

do and this is what we cannot do in education. This process should give us the data necessary to ask for money that we absolutely must have to do the job and to say "no" to funds that exceed those demands."

". . . it may not be too long before teachers sign 'incentive' or 'bonus' contracts under which they'll share money that is saved through more effective teaching."

"Beacuse of its uniqueness, bilingual education would be difficult to be considered under any performance contract."

"Performance contracting didn't do any better, but it didn't do any worse."

". . .somewhat incautiously and prematurely, we invited the public to witness the educational miracles technologies are capable of -- and then . . . failed to produce anything like a miracle or even a respectable demonstration of the potential of scientific devices and techniques in the direct service of the learning process."

"The purpose of performance contracting is to 'infuse' potentially promising programs for purposes of strengthening education."

"The first generation of performance contracting has reached a plateau."

"Accountability has become a buzzword. . .. Early returns on performance contracting were weighed too heavily. It was a first reading."

"Unless schools, as consumers of education suppliers, insist on accountability from business, there is apparently no magic that would guarantee greater responsiveness under a performance contract."

"Monies are now being spent on curricular materials selected to the kid. . . This is a better way of measuring what schools are doing . . . The greatest support comes from the public."

"If you can't ride a bike, why put a motor on it?"

(In conclusion) To draw together the preliminary judgments already made in this paper, it seems appropriate to describe educational performance contracting as a frontal wave, which has crashed against the rocks of educational institutions and traditions. The roar was deafening, the spray wide-reaching, the style majestic. For a moment, the wave covered the scene. But the rocks stood firm and the sand filled in the tracks.

As a single wave, the energy of performance contracting is spent. As part of a larger change process, however, even smaller, even further apart waves follow relentlessly in its path. Meanwhile, another frontal wave is in the

making for education will not, cannot remain static.

The rocks have taken on a glow from the washing by the wave, but the end result is a shaping of the shore in forceful yet artistic manner. The weathering process in American education is not to be denied.

APPENDIX

As one climax to this study of performance contracting, a conference was conducted in May, 1972, in Bloomington, Minnesota. This conference was sponsored by the Upper Midwest Region for Interstate Projects and featured presentations by many nationally recognized experts on performance contracting. Papers delivered by five of these presenters are contained in this appendix.

Special thanks is due to each of these noted commentators and to such other persons as Dr. John W. Porter, Dr. Joan Webster, and Dr. Brian Fitch for contributing to the success of the conference.

A SUMMARY OF THE RAND/HEW STUDY OF EDUCATIONAL PERFORMANCE CONTRACTING *

By:

GEORGE R. HALL
RAND Corporation
May 9, 1972

INTRODUCTION

As this group is well aware, for about three years business firms and school districts have been entering a controversial relationship called performance contracting. The commercial firms provide instruction to public school students and their pay is a function, at least in part, of the achievement gains of the students.

Achievement gain or cognitive growth is usually measured by standardized norm-referenced tests such as the Stanford Achievement Test, Iowa Test of Basic Skills and like instruments. At the start of a performance contracting program a student is given one of these standardized tests: At the end of the program he is given another form of the same test. The pre- and post-test scores are subtracted, the difference is called the gain and is used to determine the contractors' fee. Some programs have experimented with other types of achievement measures. Criterion referenced tests, for example, have been used in several programs. Adequate alternatives to standardized norm-referenced tests have yet to be found, however, and all programs utilize such tests at least partially and often exclusively.

A performance contractor comes into a school and sets up an instruction program, usually to teach reading, sometimes mathematics, and in a few cases vocational subjects. He uses new materials and techniques and sometimes new equipment. There often is emphasis on individualization - diagnosing each students' weaknesses and strengths and providing materials tailored for him.

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* The views and conclusions contained in this talk are those of the author and should not be interpreted as representing the official opinion or policy of RAND or the Department of Health, Education and Welfare.

Frequently the classroom environment is changed. Often carrels with cassette tape recorders replace desks. The teacher usually, but not always, remains on the school payroll. He often is assisted by a paraprofessional. The teacher operates more as a diagnostician and manager and less as a conveyor of instruction, compared to a teacher in a conventional classroom.

Local school officials have expressed the need for materials to assist them in deciding about performance contracting programs. In June 1970 the U.S. Department of Health, Education and Welfare decided to sponsor the preparation of a guide and requested RAND to undertake the project.[99] In addition to the guide, we have published a theoretical analysis of this arrangement,[100] and a six-volume report detailing and analyzing our field studies of a sample of performance contracting programs.[101] All of this work has been performed pursuant to Contract HEW-OS-70-156. My remarks today will summarize the major conclusions stemming from RAND's field investigation under that contract.

RAND examined about 20 programs. Eight programs in five cities were investigated in detail. These eight programs are shown in this Table.

Performance contracting began with programs in two cities in 1969-70. During the 1970-71 school year the Office of Economic Opportunity sponsored a 20 project structured demonstration, and at least 50 or 60 other programs were funded from various sources.

The OEO demonstration is a good example of the large social interventions or Quasi-Experiments that are more and more being used in educational research. Most non-OEO programs do not exhibit as much an experimental control or design but they may be more typical of future programs.

The sudden popularity of performance contracting stems, I believe, from hopes that it might address one or more of three current educational policy concerns:

- How to improve the achievement results in compensatory or remedial education programs.
- How to develop educational accountability systems - that is,

Table 1

FEATURES OF THE EIGHT PROGRAMS

CITY NAME	CONTRACTOR	SUBJECTS	STUDENTS	GRADES
Gary, Indiana	Behavioral Research Laboratories	All	850	K-6
Gilroy, California	Westinghouse Learning Corporation	Reading, Math	100	2-4
	Alpha Learning Systems Company	Reading, Math	600	1-3 7-9
Grand Rapids, Michigan	Combined Motivation Education Systems, Inc.	Reading, Math	600	6-9
	Westinghouse Learning Corporation	Reading, Math	400	1-6
Norfolk, Virginia	Learning Research Associates	Reading, Math	250	4-9
	Dorsett Educational Systems, Inc.	Reading, Math	350	7-12
Texarkana, Arkansas	Educational Development Labs., Inc. (McGraw Hill)	Reading, Math	285	7-12

accountability for results as well as inputs.

- How to overcome the barriers to technological innovation in the public schools.

Let us briefly examine the relevance of performance contracting for these three concerns.

EFFECTS ON ACHIEVEMENT

The premier hope for performance contracting was that it might end the gap between achievement test scores of students from privileged backgrounds and those from homes with less advantages.

This Table shows average achievement gains for the eight programs in the RAND sample. For example, in the first grade in Gary the students gained, on average, 1.7 achievement years per year in reading and 1.7 achievement years in mathematics. In the other grades the achievement was, on average, 0.7 of a year in reading for the school year and 1.2 achievement years in mathematics.

Grade 1 results are shown separately since it is difficult to know how to interpret gain scores for first graders. The results ranged from: (1) somewhat better than comparable groups of students, as in Gilroy, for example, to (2) no better than like groups, as in the Norfolk seventh grade, for example, to (3) worse than like groups, Texarkana and Norfolk fifth grade. Recall that most programs did not have formal controls so these judgments are based on selecting groups that seemed like the treatment groups.

To sum up, we found no substantial or even any consistent advantage for performance contracting over other types of instruction. I think that this conclusion from the RAND sample is supported by the results of the OEO program. For purposes of comparison with the other achievement figures you might be interested in the OEO results summarized in this Table.

MEAN GAINS ON STANDARDIZED TESTS

CITY NAME	CONTRACTOR	MEAN GAINS	REMARKS
Gary	BRL	1.7/1.7	Reading/Math/1st Grade
		.7/1.2	Reading/Math/2nd-6th Grade
Gilroy	WLC	.6/.8	Reading/Math
	ALPHA	.7/.5	Reading/Math 2nd-3rd, 7th-9th Grade
Grand Rapids	CMES	1.2/1.0	Reading/Math
	WLC	.7/.6	Reading/Math
		.1	Reading/5th Grade
Norfolk	LRA	.5	Reading/7th Grade
		.5	Reading/9th Grade
Texarkana	DORSETT	NR	
	EDL	.5/.3	Reading/Math/5th-12th Grade

Table 3

OEO PERFORMANCE CONTRACTING EXPERIMENT

Aggregate Mean Gains

(In years of achievement gain)

Grade	Experimental Gain	Control Gain	Difference
		Reading	
1	NA	NA	+.1
2	.4	.5	-.1
3	.3	.2	+.1
7	.4	.3	+.1
8	.9	1.0	-.1
9	.8	.8	----
		Math	
1	NA	NA	----
2	.5	.5	----
3	.4	.4	----
7	.6	.6	----
8	.8	1.0	-.2
9	.8	.8	----

SOURCE: Office of Economic Opportunity, An Experiment in Performance Contracting: Summary of Preliminary Results, OEO, February 1972, pp. 35-36.

There are three possible explanations why more substantial gains were not achieved last year. The first is that the systems that the contractors had were simply no better than those already used in the schools. The second is that the 1970-71 results may reflect the frictions and start-up costs involved in the first year of any innovation. These programs all turned out to involve major developmental efforts and the results may reflect these efforts. Third, the tests and measures used may not be adequate to measure improved teaching effectiveness. I will say more about this possibility in a minute.

The point I wish to make here is that the data in our study or the other studies I have seen are not adequate to make a scientific judgment between these three possible explanations for the 1970-71 achievement results.

The costs of these programs seem to be a bit better than the usual remedial program. We computed the instructional costs - not the total costs - for various programs on a comparable cost basis. We standardized factor costs and assumed operation of the program by the school systems themselves. On this basis we estimated that a performance contracting program in the RAND sample would cost in the neighborhood of $125 to $200 per student per subject. A conventional remedial program, estimated in this same fashion, would cost around $200-$300 because such programs tend to be more labor-intensive. Performance contracting programs tend to substitute paraprofessional labor and materials for certified teachers, compared to the usual remedial education programs.

ACCOUNTABILITY

In addressing the problem of attaining educational accountability, the 0.1 result in the fifth grade at Norfolk provides a helpful illustration. It implies that no learning took place. The contractor had promised Norfolk an average of 1.7 years learning gain per student. When he gave the pre-tests for the fifth grade, however, he found that the students were functional illiterates. He started to teach the students work-attack skills - how to listen to sounds and recognize them on the

printed page. Each student was assigned learning objectives. The independent evaluator from the University of Virginia, using a learning mastery test, tested the students on the achievement of the contractors' objectives. Most students mastered 80 to 90 percent of the objectives, according to this test.

For contract payment purposes, however, the students were administered the vocabulary and comprehension sections of a standardized norm-referenced test. They showed no gain. The State of Virginia, the program sponsor, concluded that the contractor failed because the fifth grade students' reading skills didn't improve. The contractor claimed the low score was because the norm-referenced test didn't reflect the content of the program. He cited the high scores on the learning mastery tests as evidence he had been successful. The State of Virginia suggested that perhaps the students had mastered the objectives before the program started.

This dispute has an important implication for accountability. The standardized tests that are used to evaluate these and other innovative programs were not designed to measure output or instructional effectiveness. They were designed to predict academic success so students could be classified and assigned. In using these tests for accountability purposes we run into severe statistical problems. More important, we run into questions of whether the items tested on the standardized norm-referenced tests match what we want to have included in our curricula. On the other hand, criterion-referenced tests have not been sufficiently standardized to provide the objective measures that school districts desire. Criterion-referenced tests not only are difficult to interpret when used as a performance measure, but they create serious logistics problems. The OEO programs, as well as those in Virginia and Texarkana, encountered serious difficulties in trying to implement criterion-referenced testing programs.

In short, I interpret the performance contracting experience to indicate that considerable development work is required before we will have tests and measurements adequate to achieve the policy goal of educational accountability.

TECHNOLOGICAL CHANGE

Let us consider the third point, the contribution of performance contracting to educational change. This appears to be where performance contracting may make the most important contribution. In the programs we have observed, even those where the achievement results have been unspectacular, the new materials and techniques have created interest and seem to be leading to some further applications. The introduction of outside programs may be a catalyst for getting more individualized instruction into the schools. Outsiders, it appears, in some cases can better overcome inertia and attract more attention than insiders working within the established rules.

I should say a word about the contractors. Westinghouse Learning Corporation, which had two of the programs we studied and three OEO programs, and CMES, the contractor for another project in the RAND sample, have gone out of the performance contracting business. Several firms involved in the OEO experiment have also left the industry. Performance contracting by itself has not been lucrative. It has, however, led to follow-on business in some cases. Also, it has enabled a number of new firms to break into the educational materials and services market that has been dominated by old-line textbook publishers. Some school districts are willing to try out new firms if they will give performance guarantees. This is one reason why performance contracting may be around for a while.

THE FUTURE OF PERFORMANCE CONTRACTING

The 1970-71 experience dashed the hopes of those who believed that performance contracting would be an easy and dramatic solution to America's compensatory education problem. It is also clear that problems of obtaining valid and reliable measures of instructional success remain. Thus, it is unlikely that performance contracting will regain its past popularity.

Performance contracting, however, might play a limited educational role. As a means to facilitate curriculum innovation and as a way for new firms to share some of the risks involved in new materials or procedures it has some attractive features.

Moreover, some of the learning systems used by performance contractors may have modest cost advantages relative to conventional approaches to remedial education. If so, even if achievement gains do not increase substantially, these modest cost advantages might be converted into modest improvements in instructional cost-effectiveness. Such conclusions must be stated in tentative terms since all the 1970-71 programs involved extensive start-up friction and costs as well as major development efforts and so it is difficult to extrapolate to some future "steady-state" period.

In short, performance contracting is no panacea for America's educational problems in general and its compensatory education problem in particular. It may, however, be a technique that can make a modest contribution to education.

AN EXAMINATION OF EVALUATION DESIGNS FOR PERFORMANCE CONTRACTING

By:

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Educational Evaluation Associates
and
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"Does educational performance contracting work?" This question, and this one only, was the focus of over a million dollars worth of research funded by the Office of Economic Opportunity.[102] OEO examined the results of their study and reached the conclusion: "No, it doesn't work." Now, if you believe that the OEO study was a fair test of this question, and accept their conclusion, then you would also have to agree that it would be a waste of time to hear me talk about evaluation designs for performance contracting. If performance contracting does not work, as OEO claims, what is the point of talking about it further?

I see by your continued presence that there are at least a few doubters. Perhaps you feel as I do, that asking the question: "Does performance contracting work?" is just like asking the question: "Do books work?" The answer may lie in which books, under what conditions, with what kinds of students, and for what purposes. It is conceivable that one might get quite different results from two kinds of books, just as one might get different results from two contractors.

For these reasons and others I will present, the issue is still open as to whether performance contracting is an effective technique. So, we can turn our attention to what kinds of designs would be most appropriate for evaluating a given performance contract. The specification of these designs is a function of several considerations. The first of these is "For what kinds of decisions about the performance contract do I need to gather information?" Do I just want to find out how much to pay the contractor, or are there other kinds of decisions for which I need some data? For example, would it be economical to continue the contract for a few more years relative to the levels of student performance being obtained? Could the school take over the

contractors' instructional procedures with equal or greater efficiency and effectiveness? Are the side effects accruing from having the contract of sufficient import as to influence the contract's total effectiveness? Some of these side effects might be renewed vigor on the part of the regular teachers to keep up with the contractors or too much attention to skills assessed by the payment test and not enough to objectives like improved creativity and self-concept. In one study my firm did for a California school district,[103] we asked teachers to cite examples or indicants illustrating how their teaching effectiveness improved during the past year. We then analyzed the answers for two groups of teachers. The first group were teachers whose principals used the traditional teacher evaluation system of making observations and ratings, while the second group had performance contracts with their principals regarding student achievement. The results were quite conclusive and indicated that teachers who were under the old evaluation system reported how they improved in terms of their teaching techniques while the teachers under the performance contracting system cited evidence of their improvement in terms of student achievement. I am sure you will agree that this type of attitude change on the part of teachers as a consequence of performance contracting is likely to have a significant impact on their student's achievement. The point here is that the evaluation design for a performance contract should consider the major kinds of decisions that have to be made and the kinds of data needed for these decisions.

The second major consideration that influences the evaluation design for a performance contract is "What is the purpose of the contract?" Is it to improve student skills in certain areas? Is it to prevent dropouts? The answers to these types of questions dictate the kinds of measures that should be used in assessing the degree to which the program was successful in achieving its objectives. Many school districts side-step this issue by just specifying a given test as the criterion of success. This approach fails to recognize the fact that one measure of a general skill, such as reading, may assess many different objectives than another measure of this same global skill. Even when objectives are comparable across measures, the emphases

placed on them may be quite different. It is quite possible that focusing instruction on a certain specific skill, such as letter recognition, might improve performance dramatically on one reading test and not on another, simply because one of them has many more items measuring this ability. Thus, it is wise to specify the kinds of skills and concepts you want the pupils to achieve and their relative importance before you select or construct measures to be used in the evaluation. Only in this way can you be sure that the changes you obtain in student performance on a test are the kinds of changes in which you are interested and not ones that are just tangential to your major areas of concern.

A third consideration that influences the evaluation design for a performance contract is "What procedures did the contractor use in achieving the program's objectives?" This information is needed to find out whether the program was really put into operation as planned so that if the school decided to take it over in the future, they would know what to do. For example, a program might achieve its goal of significantly reducing dropouts simply because they employed good-looking instructors rather than any fancy electronic equipment. As we all learned from the Texarkana fiasco, it is important that the evaluation design take into consideration the possibility that the contractor's procedures might just be teaching the specific answers to the items on the payment test. One way to control this problem is to make periodic unannounced checks on the curriculum materials and instruction being employed. A second method is to use an item pool for constructing the payment test that is large enough to make impractical any attempt to teach all the answers. The use of periodic checks is more appropriate for a single school district, while the large item pool approach is more efficient if many districts are involved in the evaluation.

Now let us turn to the fourth major issue influencing the evaluation design for performance contracting, namely, "What measures should be used?" There are two basic approaches one can take: selecting existing measures that provide the best overlap with the particular objectives you want to achieve or constructing measures for these objectives. The advantage of the first approach is that existing measures have

generally gone through rigorous development and field testing. The major problem with such measures is that they often do not overlap well the particular objectives of the program. This means that they tend to be relatively insensitive to actual changes in desired student performance. Given the history of educational programs and the general insensitivity of these measures to program objectives, it is highly unlikely that such instruments would show any major changes in student ability in just one year's time. Often, this problem is compounded further by the exceedingly poor performance and dismal prognosis of the students in the program. Thus, an expectation of one and one-half year's grade equivalent gain in test performance in one academic year is like expecting a mouse to get an elephant pregnant. In the Office of Economic Opportunity's case, the mouse's claims to prowess were so convincing that OEO became a believer. A more reasonable goal for use with existing instruments would be one year's growth in grade equivalent for one year in the program and this result would be likely to occur only after the program had had a chance to run for several years.

The second approach, constructing rather than selecting measures for particular objectives, has the relative advantage that the measures produced are potentially more sensitive to the particular objectives being taught. However, quality test construction is not simple - one does not produce valid instruments just by fiat. It is possible to construct good measures of particular objectives; it just takes a lot more time, money, and expertise than is often devoted to this task. Defining the kinds of items that should be constructed to measure a given objective also is a job in itself. Robert Stake recently illustrated this point by listing the various kinds of items that might be used to measure a single piece of knowledge, namely that Point Barrow is the northernmost town in Alaska.[104] The items he cited that could be used to measure this knowledge were as follows:

1. What is the northernmost town in Alaska?
2. What distinction does Pt. Barrow have among Alaskan villages?
3. The dots on the adjacent map represent Alaskan cities and towns. One represents Pt. Barrow. Which one?
4. What would be unusual about summer sunsets in Pt. Barrow, Alaska?

It is evident from this list that different levels of ability and understanding are needed to answer these questions. The practical implication of this fact is that the school district and the contractor must agree on the particular kinds of items that will be used in evaluating the program - and let me warn you now, this is by no means an easy task.

Thus, neither existing instruments nor specially constructed ones appear to offer a simple solution to the question of just what measures should be used in evaluating student performance. One new development in the field of educational measurement may at least offer some help in resolving this dilemma. This development involves banks of objectives and items to measure them. Several of these systems are being field tested now in various parts of the country and I expect that before the year is out we shall see a few of them ready for general use.

Even if we are able to resolve the problem of defining what measures we should use in evaluating performance contracts, we will still have to ask the questions: "How do we analyze the results"? and "How do we pay the contractors?" In answering these questions, let us first look at some errors common to evaluation designs for performance contracts. Briefly, the first of these mistakes is as follows: Some studies start off well by using two groups, experimental and control; but in selecting students for these groups, there seems to be a tendency to try and put the students with the lowest ability into the experimental group. Why contractors do this, rather than balance out ability levels between groups, is unclear; but in so doing, they open a pandora's box of problems and biases. These biases and problems are so great as to essentially invalidate all the results obtained about the relative effectiveness of performance contracting. The best way to determine the effectiveness of an educational program is to have truly equivalent groups and give just one of them the treatment while ensuring that the other is relatively unbiased by the existence of the experiment.

A second major mistake is using grade equivalent gains as the criterion of success. Now we all know that such equivalents are misleading fictions based on

questionable extrapolations. As anyone who has taught school has discovered, students do not learn in nice equal intervals throughout the year. There is a big spurt in the fall, often to make up for losses during the summer, and then a leveling off in the spring. Thus, if a program runs for only a portion of the year it is not wise to simply extrapolate the results and pay the contractor on the basis of what performance might have been over a full academic year.

A third mistake also is related to payment in that such payments often are based on the number of students achieving various grade equivalent gains. Robert Stake has presented a rather devastating demonstration of the errors that can result from such an approach. This illustration is as follows:

> "Just how unreliable is the performance-test gain score" For a typical standardized achievement test with two parallel forms, A and B, we might find the following characteristics reported in the test's technical manual:
>
> Reliability of Test A = +.84.
> Reliability of Test B = +.84.
> Correlation of Test A with Test B = +.81 .
>
> Almost all standardized tests have reliability coefficients at this level. Using the standard formula, one finds a disappointing level of reliability for the measurement of improvement:
>
> Reliability of gain scores (A-B or B-A)= +.16.
>
> The test manual indicates the raw score and grade-equivalent standard deviations. For one widely used test, they are 9.5 items and 2.7 years, respectively. Using these values we can calculate the errors to be expected. On the average, a student's raw score would be in error by 2.5 items, grade equivalent would be in error by 0.72 years, and grade-equivalent gain score would be in error by 1.01 years. The error is indeed large.
>
> Consider what this means for the not unusual contract whereby the student is graduated from the program, and the contractor is paid for his instruction, on any occasion that his performance score rises above a set value. Suppose - with the figures above - the student exists when his improvement is one grade equivalent or more. Suppose also, to make this situation simpler, that there is no intervening training and that the student is not influenced by previous testing. Here are three ways of looking at the same situation:
>
> > Suppose that a contract student takes a different parallel form of the criterion test on three successive days immediately following the pretest. The chances are better than 50-50 that on one of these tests the student will gain a year or more in performance and appear to be ready to graduate from the program.

> Suppose that three students are tested with a parallel form immediately after the pretest. The chances are better than 50-50 that one of the three students - entirely due to errors of measurement - will gain a year or more and appear ready to graduate.
>
> Suppose that 100 students are admitted to contract instruction and pretested. After a period of time involving no training, they are tested again, and the students gaining a year are graduated. After another period of time, another test, and another graduation. After the fourth terminal testing, even though no instruction has occurred, the chances are better than 50-50 that two-thirds of the students will be graduated." [105]

It becomes apparent that a school could pay for many gains that are just due to chance. The contractors, however, also have problems in that many students may test off the bottom of the scale on the pre-test. This means that they are assigned higher pre-test scores than they deserve and at least some of the gain in performance may not be recorded. A similar argument holds for students who do very well on the pre-test. Perhaps these factors balance out, but if I were a school district or contractor, I would resolve these problems in advance. In a minutes, I will discuss one way of doing this, but first let us consider a fourth error.

A fourth mistake in evaluation designs is the use of average gain for evaluating the total effectiveness of the program. Such an approach is obviously better than counting the number of students who reach a given criterion, but it still falls short of being adequate. The reason for this is that two groups could achieve essentially the same average score by quite different routes. Suppose, for example, that a contractor knew he would be paid for only those students who showed a year or more's growth in grade equivalent. Would it not be to his advantage to focus his efforts on just the students who appeared to have the most potential for achieving this goal and essentially ignore the rest? The end result of such a capitalistic endeavor would be more students for whom the contractor was paid, but the average score for the total group would be the same as or lower than the one for students in a control group where attention was distributed equally. This kind of bias would show up as

a much larger standard deviation in test performance for the experimental group than for the control group.

I could go on ticking off several more mistakes, but I think I have made my point that there are often many evaluation design problems with performance contracts. Let me conclude, therefore, with some suggestions of how to design an adequate evaluation of a performance contract.

1. Specify the kinds of information you want to gather about the contracting.

2. List the objectives you want to achieve and their relative priorities, and then use this information in selecting and/or constructing appropriate measurement tools. Special attention should be given to the availability of objectives banks and item pools that would facilitate this process as well as improve communication between the district and the contractor.

3. Where possible, select a control group that is truly equivalent and unbiased. If this is impractical, it might be worthwhile to see if the experimental group's regression slope between pre- and post-test is steeper than that for a comparison group. If it were, then one could cautiously infer that contracting was at least having a positive effect although it would not be possible to say how much.

4. Monitor what is happening in both the control and experimental classes to ensure that students are not being coached on the answers to specific questions as well as to determine just what procedures are really being used so that the critical ones can be identified.

5. Including monitoring of classroom activity in the evaluation design is also of value for measuring any important side effects, such as relevant teacher and student attitudes.

6. Analysis of results and payment to the contractor should be based on the average scores of subgroups of students. These subgroups might be formed by dividing the sample into thirds so as to check on whether the contractor is devoting all his efforts to just one kind of student.

I hope these suggestions help you in evaluating the performance contracts you have now and the ones you are planning. The reason I say this is that I know that the OEO conclusion will not deter responsible schools from exploring the utility of various educational programs that might be offered, whether they come from within or outside of the school community. I only hope we can find some good ones to solve our educational problems.

VENTURES IN PERFORMANCE CONTRACTING

By:

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Performance contracting has been hailed as the "hottest thing in education" by the news media, "hucksterism" and a "conspiracy by private firms to take over public schools" by critics, and a "panacea" and "miracle worker" by zealots. Neither the critics nor overzealous advocates do justice to this "managerial innovation," limited technically and by the intentions of man himself. The objectives of my comments today are several-fold: a) to briefly describe the concept of performance contracting and turnkey operations; b) to evaluate it in terms of the several criteria for which it was designed to effect change and to evaluate some of the recent "headline" grabbing reports, specifically the O.E.O. Report; c) to discuss inherent and man-made problems; and d) to attempt to project its evolution into the future.

The Approach

The performance contract-turnkey approach is a managerial tool designed to ensure that results are achieved in a way that encourages responsible innovation. A school district would enter into a contract with an outside firm or an internal teachers' group to accelerate achievement (usually math and reading) of a limited number of students (usually ESEA Title I eligible) with reimbursement to the contractor based on the actual performance of the students measured by achievement or performance based tests. After a period of successful demonstration, the school would then adopt or expand the contractor's instructional program on a turnkey basis making the necessary changes in order to realize the potential cost-benefits of the contractor's program.

A school district could decide to initiate a performance contract-turnkey project for one or all of the following reasons:

- to provide supplemental capability in a program area where it presently does not exist or would be too costly to develop internally (e.g., vocational training);

- to use it as a vehicle for testing, analyzing and validating newly developed instructional systems in order to determine whether or not to adopt or expand them on a wide scale basis;

- to assist in solving political, social and economic problems confronting school administration.

The heart of the performance contract-turnkey approach is the "performance specification", usually included in a Request for Proposal (RFP) sent to prospective bidders or local teachers' associations. This document includes not only the performance specifications desired, usually in terms of grade level equivalents or criterion reference based objectives, but also particular constraints such as the average amount of dollars to be provided per student and the student's time available to the contractor. Based upon the RFP, the contractor's proposed response, and face-to-face negotiations, a final contract evolves. If the heart of the concept is the RFP, the life-blood must be the turnkey phase. After the project has been initiated for a period of seven to nine months, a turnkey analysis is conducted, usually by a Management Support Group, the purpose of which is several-fold:

- to determine the relative cost-effectiveness usually in cost per some unit of achievement of the contractor's program in mathematics and reading as compared to the existing school's program in similar areas with similar students;

- to determine the economics of the contractor's instructional program for planning the nature and extent of the turnkey phase the second year:

- to determine the nature and extent as well as the cost of management changes that have to be initiated by the school to achieve the project cost and benefits which the contractor has demonstrated could be achieved.

For example, the contractor could guarantee that the school could achieve 90% of the effectiveness which he demonstrated could be achieved utilizing differentiated staffing, incentive pay and program budgeting techniques if the school would incorporate such changes into the turnkey classes. A lesser guarantee would be offered if the school decided to adopt the learning system with only three days of teacher training.

Hence, the school superintendent who adheres to this "turnkey" notion will be able to consider alternative levels of costs and benefits in deciding the scope of the turnkey phase. He can present them to the school board with a leverage that previously did not exist. Moreover, the contractor not only demonstrates an effective program, but also accepts the responsibility of providing a system that can be incorporated into or expanded within the school system on a turnkey basis with levels of guarantee. Therefore, the performance contract-turnkey approach should not be viewed as an end in itself. Rather, it provides a means by which the local school system can experiment in an effective manner, have a new instructional program demonstrated and tested in a local environment, and adopt the new program on a turnkey basis making changes within the system to ensure that the potential results can be realized. Whereas the firm "bit the bullet" the first year, the school management must, the second.

Type of Contractors

The majority of the projects have been conducted by private corporations, some of whom have utilized teaching staff which remain under employment of the school district. Most of the firms have had past experience in program instruc-

tion, the use of teaching machines and contingency management. The vast majority of the firms are small to medium size--not by any means the equivalent of the military-industrial, social complex! Performance contracting has not attracted the large educational firm because their materials in most instances are not competitive and the firms are anxious about reducing mark-ups to become competitive because of the establishment of precedence. Rather than manufacturing equipment or software, the firms are generally systems management groups which utilize the material equipment which is commercially available and they feel will work best with the particular students. The instructional systems utilized range from those utilizing sophisticated teaching machines, computers for instructional management, prescription and diagnosis, and with high student ratios (e.g., one contractor utilized one professional and 32 paraprofessionals for 600 students instructed in mathematics and reading) to more traditional ones. While some firms utilize material rewards, others rely more heavily on intrinsic motivation to increase the performance of the students. With the seemingly large variances in instructional systems design, several common threads appear.

- Use of individually prescribed self-paced instructional programs.
- Use of proven classroom management techniques to ensure the best use of the teachers' or classroom managers' time.
- Use of para-professionals and differentiated staffing.
- Use of programmed texts or programmed software combined with audiovisual media of presentation in many instances.
- The use of contingency management incentives for teachers and students, either extrinsic or intrinsic.

In 80 to 90 per cent of the projects the firms guaranteed a minimum grade level increase per child or no payment would be made (in the OEO Experiment, the minimum grade-level gain was initially set at 1.0). In most instances,

incentives were provided for incremental gains above the minimum level; in others, penalties were imposed on a prorated basis below a specified level of student performance. In those projects in which the participating teachers remained on the payroll of the school, but were assigned to the contractor for the duration of the project, the contracted fee for raising a student one grade level per subject ranged between $45 and $85, with one exception of about $300. Payment to contractors providing total learning systems, including locally trained personnel to operate the centers, ranged from $81 to approximately $220 per grade-level gain in math or reading.

During the last school year at least two teacher's associations contracted with the local board of education on an incentive contract basis whereby teachers could collectively earn several thousand dollars, which were to be pooled by the Association teachers. In one of the projects, staff differentiation was utilized in the classroom; in the other a highly individualized program of instruction was utilized.

Several projects implemented this year will provide incentives for individual teachers and even parents based upon student performance. In a USOE sponsored project in four sites, teachers could earn up to $1,200 per class and parents $100 per child, based upon performance above the class expected gain. In Wethersfield, Connecticut parents can earn $20-$30, if their child masters prescribed behavioral objectives. In Dade County, Florida teachers can earn as much as $110 per student for gains above expected levels; moreover, teachers will also be provided $55 per student to defray operating costs and have the option to utilize $55 per student as risk capital to invest in the classroom with the contingency that if a student's performance is not above the expected gain, all $55 has to be returned. Briefly, performance contracting is a problem-oriented concept flexible enough to be applied to a number of areas by a number of potential "contractors."

How Did It Fare?

Any final evaluation of performance contracting and turnkey operations at this time would be premature--at least this was a general consensus of a recent meeting of AERA-AASA Federal officials and experts five months ago. Impressions can be gleaned from on-site observations, the Rand study (which is being extended) of five non-OEO sites, and the much publicized OEO Preliminary Report on its experimental effort. With your permission I should like to suggest the following criteria included in the original Texarkana project, explicit in my letter to Secretary Finch in January, 1969, a) to provide a more cost-effective approach in areas such as math and reading; b) a low-risk, low-cost vehicle for experimentation; c) a means for increasing innovation; d) a catalyst for school system renewal through the turnkey concept; e) an opportunity for increasing community participation; f) a politically acceptable and educationally effective means to integrate or provide equity of results; and g) an opportunity to rationalize the collective bargaining process.

Cost Effectiveness

One side of this criterion is results achieved by students--measured by standardized tests, criterion-referenced tests, performance objectives, or other instruments. Prior to the preliminary release by OEO, most projects indicated that student achievement rates were just about doubled compared to previous years progress which was usually 0.3 - 0.5 grade gain. The Rand Study of five non-OEO projects indicated that student gains ranged from 0.4 to 1.7 grade gains. A recent reassessment of the results of the seven projects in the Virginia demonstration indicates that they might have been understated by as much as one grade level, as a result of test-curricula mismatches noted in the Rand Study. Also, "lower-than- 75-IQ students" did better than those with higher IQ's. And then we have the OEO results, which were

disappointing to all of us involved in implementing the project. However, equally disappointing was the manner by which OEO reported these results.

Across-all-site comparisons of grade level differences between experimental and control groups, which showed few significant differences, are not that "interesting" when one considers the original OEO objectives: "which of the 18 instructional programs, if any, would work best." After probing by the press, OEO officials did note that four-five statistically significant successes for each failure did appear in small to medium-sized South and Southwestern schools, as reported in the Battelle Memorial Institute interim report to OEO. These schools were less rigid and unionized compared to Northeast and Western schools where control students did relatively well at the junior high level (e.g., .8 to 1.0) compared to previous rates of growth, possibly due to teacher inspiration induced by the private contractor.

Probably the most significant variable in predicting success was the school-firm interface problem (See Illustration I).Where they arose during the first months or so after school began, the projects had very little hope for success. Where contractors' teachers ("scabs") broke the "picket lines" during strikes, organized teachers never forgot performance contracting; "fisticuffs" between firms' and schools' representatives are not indications of a close working relationship; bad pre-test conditions, created by last minute scheduling, and several days of testing didn't engender good feelings of principals toward the project; and programs just don't operate effectively when high level corporate and school officials are threatening law suits and contract terminations. An "eyeball" analysis of Illustration I speaks for itself.

The preliminary results released by OEO will probably be criticized by GAO, the agency's watchdog, and others regarding: a) the short lead time and

ILLUSTRATION I

SCHOOL-FIRM INTERFACE * *
IMPACT UPON RESULTS

SITE	(+) E	(-) C	TEACHER RESISTANCE	MANAGEMENT CONFLICTS	POOR PRE-TEST (POOR TEST CONDITIONS)	THREAT OF PRIME & SUBCONTRACT TERMIN.
			1	2	3	4
DALLAS	6	0			X	
JACKSONVILLE	6	0		X	X	
ATHENS	4	0		X	X	
SELMER	4	1				
ANCHORAGE	2	0	X	X		
TAFT	2	1				
ROCKLAND	1	5*				
McCOMB	0	2*				
SEATTLE	0	9	X	X	X	
PORTLAND	1	6		X	X	
PHILADELPHIA	0	5	(X)	X	X	X
HAMMOND	1	5	(X)		X	X
LAS VEGAS	1	5			X	X
FRESNO	1	5		X	X	
BRONX	0	3	(X)	X	X	X
GRAND RAPIDS	1	3	X		X	X
HARTFORD	0	2	(X)	X	X	X
WICHITA	1	2	X		X	X

*Before adjustments for mis-match of control schools which were 1.0-1.5 grades higher than experimental on pre-tests.
* * Based upon BMI Interim Report, February 7, 1972
(X) Actual teacher strike

ILLUSTRATION I (Continued)

The preceding chart displays the interface variables at project sites which were not necessarily taken into consideration by O.E.O. or Battelle in their evaluation of the O.E.O. Performance Contracting Project. Substantial evidence exists at the O.E.O. Project Office, School Site Project Offices, Sub-Contractor Offices, and in the Project Documentation System to verify the existence of these conditions. Anyone undertaking a review of these conditions will be required to not only determine their severity but to also assess the degree to which each condition may have contributed to the evaluation findings as reported by Battelle and O.E.O. The accuracy of any evaluation is only as good as the quality of the data considered and the particular bias of the analysts, especially in light of the political ramifications of this project.

All of the above problems which occurred for the most part during the first four months of the project had a lasting impact on the project, the attitude of those affected towards it, and the final results of the experimental and control schools student performance.

DEFINITIONS:

Column 1: TEACHER RESISTANCE - includes non-acceptance by teacher organizations at sites (e.g., strikes, grievances filed, lawsuits, etc.) within project schools, and by key individuals (principals, teachers, administrators) operating within the framework of each control and experimental school.

Column 2: MANAGEMENT CONFLICTS - includes serious personality conflicts between representation of the firm and school officials such as the project director or principal; turnovers of management personnel because of interpersonal relations or incompetence.

Column 3: POOR TESTING CONDITIONS - reflects the poor pre-test conditions (usually resulting from short lead time and inadequate planning and scheduling) as stated in the Battelle Evaluation Report by the Battelle Memorial Institute people who administered the tests.

Column 4: THREATS OF CONTRACT TERMINATION OR MAJOR RENEGOTIATIONS - includes formal threats of contract terminations from O.E.O. to School Districts and educational firms, from School Districts to educational firms, and from educational firms to School Districts as a result of firm-school problems and non-compliance.

Column "E": The number of experimental grades in which experimental students did better than control grades based upon the Battelle analysis.

Column "C": The number of control grades in which control students did better than experimental grades based upon the Battelle analysis.

lack of school involvement in planning, a criticism rendered earlier by the NEA and recently by the 18 project directors in their report to OEO; b) test conditions and instrumentation, recognized as a caveat by OEO in their report (e.g., bottoming-out effects or low correlation between pre- and post-test results; and c) others. These criticisms will certainly add to the controversy and cast some doubts on whether performance contracting as a technique of instruction for producing achievement results did get a fair test.

Cost of OEO Experiment

The costs of the 12 performance contract projects analyzed by Education Turnkey Staff using for the first time the COST-ED Model, are rather revealing.

First, while many firms used similar materials, the economics of the systems varied significantly, especially regarding staff use, equipment, books and audio-visual costs. For example, in the control sites about 70-75%, and 1-2% of total costs were spent on teacher pay and books and audio-visual method materials respectively; the contractors spent 55-15% in the corresponding areas.

Second, compared with control programs, contractors' investment in instructional equipment is significantly greater in most programs.

Third, if schools adopted contractors' instructional programs, operating costs would be less than existing school costs per student/subject in over one-fourth of the cases and somewhat greater in the rest.

Fourth, achievement scores in contractors' programs will not have to be significantly greater than control program scores for contractors programs to be more cost-effective than the schools, assuming that the average control scores were .5 grade equivalent gain, the contractor would have to produce the following results to be equally cost-effective:

Alpha Learning:	0.53	Quality Ed. Development:	.63
Learning Foundations:	0.82	Singer-Graflex:	0.57
Plan Ed. Center:	0.67	Westinghouse Learning:	0.53

The reasons for variances and lower than expected costs noted in the Turnkey Report to OEO included:

- Lower classroom costs through better student scheduling and utilization of facilities, space and instructional equipment.
- Lower staff costs through the use of paraprofessionals to operate self-paced, individualized student learning systems.
- Reliance on instructional components with relatively low operating costs, such as teaching machines, cassettes, and non-consumable programmed instructional packages.
- Better management control and greater administrative and classroom flexibility than in traditional settings.

Aside from the relatively high start-up costs involved in performance contract projects, a primary consideration must be the public's present attitude towards school costs and where costs should be cut. The Gallup Survey of Public Attitudes Toward Public Schools (See September, 1971, Phi Delta Kappan) disclosed that the number one problem facing schools is "finances"--where should costs be cut when local boards are forced to reduce total budgets? John Q. Citizen does not want to increase class size (79% oppose) or to cut teachers' salaries (77% oppose) but would want to reduce the number of administrators (50% favor) or the number of counselors (32% favor), for example. The general public is either emphatically certain about what constitutes good education policy and contributes most to student achievement, or is totally ignorant about the economics of school operations and budgets. An analysis by Education Turnkey

staff of the typical secondary school's costs (elementary math) derived from national averages used in the OEO study is illuminating:

- That the savings incurred through renting books rather than providing them free of charge could be surpassed by increasing class size by one student or by reducing the average annual pay of teachers (e.g., by hiring paraprofessionals or younger teachers) by an amount less than 1% of the total budget.

- That a decrease in annual pay of teachers by 5% will free enough resources to increase audio-visual materials and books by 186%.

COST-ED Analyses of these and many other equal-cost trade-offs indicate the cost saving potential of performance contracting. In the same survey, 49% of the public favored performance contracting; however, the public's attitude towards the cost saving implications could constrain the effective adoption of performance contract learning systems during the turn-key phase. Public perception will change as educational myths and concepts are displaced.

Low Risk-Low Costs Means for Experimentation

A second major index for evaluating performance contracting is whether it did provide a low risk, low cost way for districts to experiment. Because many of the firms were overly ambitious or optimistic in terms of grade-level guarantees, the actual fee paid by the school system in many cases was small relative to the increases in student performance. One district, for example, paid a fee less than existing school costs for a doubling of the rate of learning. Schools also avoided risk: in most instances, the political "heat" resulting from the experimentation was not directed toward the school but to Federal sponsoring agents or to the performance contracting firms---(e.g., the BRL project in Gary, Indiana). Similarly, in those instances where the con-

tractors' results were not significant, (See Charles Blaschke, Performance Contracting: Who Profits Most? (Phi Delta Kappan, Bloomington, Indiana, 1972 ; also see Charles Blaschke, "Performance Contracting, Costs, etc.", Phi Delta Kappan, December 1971.) the contractor again, rather than the district "failed."

The Virginia Department of Education in its report to the State Board on its performance contract project in seven districts expressed dismay at the gains made on standardized tests (since proven to be an understatement), but noted: "The use of performance contracting as a method for delivery of an instructional program cannot be deemed a failure on the basis of results in Virginia . . . . As experienced here performance contracting, as a means for low risk, low cost experimentation in education innovation can be considered successful."

Increased Innovation?

Performance contracting was also designed to encourage responsible innovation by prescribing levels of performance and costs constraints, but not the methodology or materials to be used by the contractor. During the first year, the most significant innovation was the design and actual application of "total learning systems." In this respect, performance contracting did allow the flexibility for firms to " systems engineer" a variety of methodologies and curriculums into learning systems which were tailored for the target populations.

With the exception of the first Texarkana project, the new EMR project in Grand Rapids, and a limited number of others, few radically, innovative learning systems, hardware or software developments, or pedagogical approaches have surfaced. Perhaps, the lack of development funds for performance contracting has been a significant factor. Or perhaps, there is dawning a realization that classroom instructional management rather than "gadgetry" might be more signifi-

cant in producing results.

A Catalyst for Reform

A primary criterion must be the impact of performance contracting on school system renewal. Before achievement scores were available, about a third of the schools involved in performance contracting in 1970-71 planned to continue the projects next year; another third plan to adopt on a turnkey basis the contractor's program in part or totally; and the rest are undecided. One Virginia site expanded the turnkey phase from two schools last year to 10 this year; all three projects in Grand Rapids are being continued or turnkeyed and an additional project in special education will be initiated. A turnkey operation at the elementary level has been implemented in Taft, Texas. In 70 to 80 per cent of the turnkey projects, local rather than "non-formal" federal funds are being used. That turnkey projects will be operated as effectively or efficiently as last year's performance contract projects is uncertain. Only the results a year from now will tell--if school administrators are willing to initiate management changes and independent evaluations are performed.

Alleviating Political and Social Problems? Was Performance Contracting De-Humanizing?

One of the serendipities observed over the last two years has been a unique psychological reversal in the classroom--namely, the firm, the teachers, and others are dependent, monetarily or otherwise, upon the success of the individual students. In several projects teachers began to perceive themselves as "learning and resource partners." Instruction in this sense was not only "learner centered," but also "learner controlled." The impact of the latter teacher and student attitudes might have been significant. (See "The Grand Rapids Story", film ed. J. Mecklenburger, Indiana University.)

Although the teachers' attitudes toward the projects ranged from extremely negative to extremely positive, the majority of the teachers felt that perfor-

mance contracting did allow them, (within certain limits) a degree of flexibility to do what they had always wanted to do. In certain sites, participating teachers have become "salesmen" for performance contracting within the school and in the immediate area. Early involvement of teachers during planning was critical to positive teacher attitudes and cooperation and at the least non-disruptive project operations.

Student reaction to the project has been observed in several areas. A "smile factor" was noticeably prevalent in many projects; attendance was generally significantly higher than in control sites (through the availability of make-up classes, actual attendance in one performance contracting site was greater than the number of regularly scheduled hours available); and dropout rates were significantly reduced in the vast majority of sites analyzed thus far. In one Virginia project involving 500 students, the dropout rate of the target group fell to zero.

Did Community Involvement Increase?

A New York City District viewed performance contracting as a leverage not only to countervail union pressures but also to involve community residents as paraprofessionals and teacher aides. In Taft, minority parents threatened to withdraw their children from the project, arguing that inferior aides were teaching their children and that segregated classes were being perpetuated. Over time, as communications between the school and the community increased, parents' resistance subsided.

At Dallas where disciplinary problems were about to force discontinuance of contractor's program, parents who had been members of the planning advisory group formed voluntary parent committees which patrolled the school hallways to ensure that the project could be continued.

In the majority of the projects, principals reported that a high level of

parental support prevailed during the entire year, even though a few parents withdrew their children from the program during initial stages.

Did It Rationalize the Collective Bargaining Process?

Without a doubt performance contracting has provided a leverage for school administrators trying to initiate incentive or merit pay, differentiated staffing, and even "profit-sharing" arrangements. In one performance contract site, the school board plans to initiate incentive programs for all students and teachers during the turnkey phase. In other sites, school principals have attempted to initiate incentive contracts with their teachers in a manner similar to that in the performance contract school. In at least one of the two projects,suits were filed by the teacher's groups resulting in the discontinuance of incentive pay during the last semester.

Was It an Aid to Desegregation?

While it is too early to judge, performance contracting does seem to be considered an aid to desegregation. For example, the NAACP recently passed a resolution favoring performance contracting. One performance contract in a Southern state last year was funded under the Emergency School Fund Act. And the presence of performance contracting in Texarkana over the last two years has not only soundly defeated freedom-of-choice advocates at school board election time (Texarkana is the hometown of Freedom, Inc., the national advocate of "freedom of choice"), but also has enabled integration to occur relatively smoothly in Texarkana, Ark., while race riots occurred in the non-participating district across the street in Texas. Neighboring Dallas is justifying its "desegregation by TV" on the concept of "equity of results", a performance contracting spin-off.

In several sites where administrators looked upon performance contracting as a means to assist desegregation, recent court orders and decisions required

the closing of schools or transferring of students which affected the validity of any evaluation.

New Directions: Problems and Potential

Originally conceived as a catalyst for school system reform, first-generation performance contracting by private firms should put itself out of business for the most part within the next couple of years, not because of its failure but because of its success. While school officials will continue to use it as a low risk, low cost vehicle for experimenting with radically new or untested learning systems, its major contributions will have been made in the immediate future.

Performance Support Contracts*

As the results of learning systems used by contractors become available, both contracting firms and school officials will see the advantages of entering into turnkey projects immediately, without going through the costly and time-consuming performance contract stages. Previously sold only materials, schools are now getting training and other support from firms with guarantees (e.g. external contracts in Dade County). With cost effectiveness data available for a large number of learning systems, it is possible to simulate the cost effectiveness of alternative programs under varying constraints to assist officials in selecting programs or reducing their costs. We are conducting such simulations in Michigan at the present time for the Department of Education.

* Excerpts from Charles Blaschke, Performance Contracting: Who Profits Most? (Phi Delta Kappan, op. cit.)

Performance support contracts are presently under way in Chicago, Detroit, and Miami. In the first two districts, LRA and Alpha Learning II, respectively are providing teacher training, materials, equipment, and monitoring services to both principals and teachers; the major risk is assumed by the firms even though the teachers remain under the employment of the districts. In Miami, Behavioral Research Laboratories, operating under similar conditions, will receive their maximum payment if elementary students achieve 100 per cent above the expected gains and none for gains less than 10 per cent. The major problems anticipated in such contracts include illegal delegation of authority to the firm regarding supervisory and firing or transfer policies, and conflict with union and school regulations regarding teacher working conditions and maintenance liability (for example, if the district purchases the firm's equipment, then the school's maintenance personnel are required to service the equipment, and any downtime affects the firm's costs). Even these potential problems are less formidable than those in first-generation performance contracts; guarantees by firms are likewise less extensive because of lack of management control.

Performance Pacts Between State Departments and Local Districts

The idea of contingency funding and "grants management" between funding agencies and districts has been batted around at the federal level since 1966 when Bureau of the Budget officials proposed to the U. S. Office of Education that Elementary and Secondary Education Act Title I funds be based upon results achieved. Departments of Education in several states have discussed and considered accountability "agreements" with locals. None, however, were implemented until November, 1971, when Michigan initiated its $23 million accountability model, possibly the most significant turning point in public education during the century.

Sixty-nine districts have been awarded amounts ranging from $6,000 to over

$11 million to increase achievement of minority students scoring below the sixteenth percentile in math and reading. The districts have been given specific achievement levels as goals. If, after the first year, tests indicate that each student achieves the specified level, the district receives the full amount of funding the succeeding year based on the state formula. If, on the other hand, the students achieve less than 75 per cent of the specified goals, a prorated penalty is applied.

"Revolutionary" hardly describes the project. First, the districts receive in essence a fixed fee per student to raise him to a specified level or be penalized the following year--grants management at its highest level! Second, districts that are most efficient in meeting the objectives will be rewarded, since the amount of the fee is based upon results, not costs incurred. In this respect, the project differs from the vast majority of federally funded projects. For example, given a fixed fee of $200 per student, a district could purchase a system costing only $50 per student; if it produced the necessary achievement level of 0.8 years growth, a $150 "profit" could be earned and used for general and administrative purposes by the district or $50 could be shared with the faculty as a whole!! Third, each district now has an incentive to search the market place for the learning system which it feels will produce the necessary results at lowest cost. Cost considerations have often been neglected in performance contract projects funded with federal funds. One firm's fee for raising a student one grade level was 80 per cent above the school's existing cost to produce similar results. And last, it could put the districts out of the compensatory education business as the number of eligible deficient students decline, if the district does its job right; it could be put out of business altogether if it does not, as state aid dries up.

Implications for performance contracting between districts and teachers or private firms are significant. For example, certain teacher groups are pressing for a "profit-sharing" arrangement with the administrative offices if students achieve prescribed levels. Of the $23 million, $500,000 is specifically earmarked for contracts with private firms; a large number of districts are entering similar performance support contracts with private groups with the $22.5 million. In Detroit, it is estimated that several million dollars will be allocated to performance support contracts.

As with any bold and innovative undertaking, the Michigan project inherits some of the problems inherent in performance contracting. First, even though officials are hopeful that criterion referenced tests will be used, most districts will propose to use norm referenced tests, which will require state approval. Since individual rather than mean scores will be the basis of determining future allocations, the standard error of most norm tests will take its toll on the districts. Second, because teachers will administer tests and will be aware of the specific tests to be used, the opportunity for teaching to tests exists. Allegations, just or unjust, are certain to be made. And third, violations of USOE "comparability guidelines" could be at conflict with systems used by the school districts.

Incentive Contracts With Teachers

In two of the Office of Economic Opportunity project sites, Mesa and Stockton, the districts entered into contracts with their teacher associations, whereby the teachers received incentive payments based on student performance. The participating teachers chose to pool the incentives earned during the year. In the majority of states, such contracts would be illegal, since teacher association charters do not specify such activity and services; waivers were required in the OEO project.

Because of legal and political problems, most teacher incentive projects have taken on a new character. The most innovative has been developed in Miami. Beginning in March, 1971, representatives of three teacher associations, parent groups, administrators, and students formed a Professional Advisory Committee, (See Charles Blaschke, "Performance Contracting Newsletter", Nation's Schools, May, 1972.) PAC, to assist and advise in the development of a Request for Proposal. Specifications discussed at a prebid conference included the following:

The faculties and firm could receive up to $110 if students average a grade gain approximately 100 per cent above expected gains in math and reading as measured by standardized tests and "banks" of performance objectives.

Contractors received $55 per student to be used to defray operating costs, without the risk of having to pay back the amount. Faculties could invest up to $55 per student of "risk capital" for teacher training or instructional classroom equipment; however, if the students achieved less than 50 per cent above expected gain, a portion, if not all, of the risk capital expenditures would have to be repaid.

Technical support was provided to the interested faculties by Turnkey staff, administrators, and representatives of the teachers associations. Proposals submitted by teacher groups and five private firms indicated that teachers were willing to guarantee a higher level of student performance than the firms. However, the teachers demanded certain quid pro quos from the district, such as 24 hour maintenance service, specific information regarding student achievement levels and validation results of instruments to be used, and greater classroom flexibility. Moreover, the teachers are using the risk capital allocations and negotiated agreements with equipment suppliers so that

the suppliers share the risks, as in a performance support contract. On their own, teachers decided to use teaching machines; provide student incentives; and use peer tutors instead of aides; and to increase class size from 25-1 to 45-1.

While legal and political problems of delegation exist, they are minimal, especially in light of the participatory management process which was followed in the creation of PAC and the development of the RFP. Aside from establishing precedents in the use of risk capital and new testing instruments, the project is the most visible example of combining incentive contracting with professional self-governance, a much discussed goal of the NEA.

Another variation in incentive contracting with teachers is the USOE-sponsored Project in the Use of Incentives being conducted in San Antonio, Oakland, Jacksonville, and Cincinnati. Teachers can earn up to $1,200 if student achievement, as measured by standardized tests, is three to four months ahead of expected gains. In the first two sites, incentives up to $100 per child can be earned by parents. The major objective of this evaluation project is to determine whether incentives offered to teachers and parents will result in increased student performance for poor, minority group elementary students. A second objective is to determine what, if anything, teachers and parents will do differently to ensure maximum student achievement. (See Illustration II for a brief description of incentive projects).

Long Run Impact

In the long run, to the extent that performance contracting results are favorable, it should put itself out of business for the most part as school districts internalize contractor's programs through the turnkey operations. However, to the extent that private and public groups continue to develop new learning systems which offer promise, performance contracting will be

ILLUSTRATION II

Related Projects	BASIC INFORMATION: Grades	Subjects M	Subjects R	No Students	No Teachers	INCENTIVE STRUCTURE: Students	Teachers	Parents	PAYMENT FORMULAE: Comments
1. Bristol, Va. Right to Read	1-8			490	7	"free time" only	Up to $2,100		65% stand.test; 35% Perf. Obj; $130 f/e 20% gain above expected gain p/classroom to $1,300; $800 for 60% gain in IPO's.
2. Dade Co.,Fla. Internal Perfor. Con. (2 Schools)	3-6			360	7 (2 prin)	money, token, free time, books,	Up to $5,000 per teacher with possible penalty		$55/stud. for op. costs; $55/stud. "risk capital; $55/stud. who achieves 100% above expected gain on stand. tests; $55/stud. who masters IPO prescribed
3. Wethersfield, Conn.,Right to Read	K-4			519	26	gifts, radios, books,	$600 bonus for in-service	approx. $20-$40 for 200 parents	Parents can get $200 collectively for group of 25 stud. who master 80% objectives.
4. USOE Incentives Project San Antonio, Texas, Oakland, California, Duval County, Florida, Univ. of Ohio	1-to each site			600 per site			$1200/child of parent	$100/child of parent	Teacher receives $30 for each .1 g.e. above expected gain; parents in Oakland and San Antonio $25 for each .1 g.e. above expected gain.

utilized as a low cost, low risk vehicle for experimenting with limited demonstration programs to determine the cost-effectiveness of such learning systems. At the same time, as new firms enter the field or personnel from existing performance contracting form new corporations, schools will demand the utilization of performance contracting in new endeavors associated with the groups. Similarly, to the extent that performance or incentive contracts are negotiated between school boards and teachers' groups, risk capital allocations will be increasingly provided to school teachers who are willing to risk investing in themselves or the classroom to ensure the greatest educational return for the dollar expended. With all the pressures to reduce school costs, teacher groups will propose incentive contracts based on a "cost saving" sharing plan. For example, in the typical school

if class size is increased by 1.2 students and maintenance costs are cut by 30%, then teacher salaries could be increased by about $600; under the plan, the teacher might demand a bonus of $300 or of the savings. To the extent that incentives are made available to districts (e.g., the Mondale-Stevenson Bill) teachers will negotiate profit-sharing demands from administrators. In short, bargaining will focus more on productivity issues.

Closing Comment

Performance contracting and turnkey operations, as conceived by the author in 1965, have been applied and are now a reality in public education. However like other educational innovations, as an idea moves from the conceptual stage through application and then to expansion, bastardization occurs if not in the conjugal bed, at least during the toddler's stage, resulting in applications which sometimes are not only unrecognizable but also seemingly contradictory. While such is the case in any field, the barriers to innovation in public education are significant.

The first two years in performance contracting have been both heartening and disheartening as well as encouraging and discouraging for those involved. Moving from promise to performance has not been as easy a task. While performance contracting has encountered many of the same difficulties confronting any educational innovation, "never in the course of public education have so few with so little done so much to threaten, unjustifiably, I feel, so many."

PERFORMANCE CONTRACTING IN DALLAS

By:

ROSCOE C. SMITH
Former Ass't. Director of Accountability
Dallas Public Schools

First of all, may I ask what would you do if you had five (5) high schools located in a low socio-economic area that consists of 1.2% American Indian, less than 3.4% White, 85% Black, less than .01% Oriental and 10.4% Mexican American, and these students scored 2 or more grades below level together with a projected drop-out rate of 30%

Well, I will tell you what we did. We gave these students free school supplies, spent thousands of dollars on Math Labs and Reading Kits, carried these students to the symphony, Opera and the civic ballet. We also had the Dallas Theater Center produce plays, scheduled professional actors into the classrooms to prepare these students for the performance and then bused them to the theater center to see the production.

In short, we spent thousands and thousands of dollars to no avail. Students still dropped out of school. Students were still reading on the fourth and fifth grade levels.

At this time, the decision was to get the most for the money. Therefore all of our Title I funds were concentrated in the primary grades.

We still had this problem. How in the world can we make a dent in this projected 30% drop-out rate? How can we raise a high school student's reading level above the fourth and fifth grade?

Dr. Estes, the Dallas Superintendent of schools, began to cry and cry loud. We need to provide the best possible education for all of the students.

A request for proposal was sent out and the New Century Corporation of New York agreed to take the responsibility of the Communication and Math Program in this area and guarantee the Dallas Independent School District that they would raise these boys and girls reading and mathematics more than one grade level this year or you do not pay anything.

This began to ring loud and clear.

The Thiokol Chemical Corporation said - "Pick out your potential drop-outs and give them to us in a class called Achievement Motivation and we will guarantee that they will attend school just as much as the other students".

We said OK! We identified the potential drop-outs in May and by the first of September - over 50% of these students had already dropped out of school.

We scheduled the remainder of these students into Achievement Motivation and at the end of that year they attended school more than the students that were not potential drop-outs.

You know how it goes, people from low income areas have been trained for jobs, but still could not find employment. The Thiokol Chemical Corporation said, "We will guarantee the Dallas Independent School District to train these boys and girls, and we will also guarantee to place them on a job or you do not owe us anything."

WHAT WOULD YOU DO?

In short, after one year of performance contracting and thousands of dollars in federal funds spent, all reports went out that performance contracting was not successful in Dallas, Texas.

In light of the OEO report, I feel obligated to give a summary of the results in connection with Dallas. May I start by saying that performance contracting, on an average in the 18 sites which participated in the Office of Economic Opportunity (OEO) performance contracting experiment, was no more successful than regular public school programs in improving student achievement. At some sites, performance contracting appeared to work quite well; at others, however, it appeared to work quite poorly.

Although performance contracting based on this experiment did not emerge as a panacea for curing the ills of education, it did provide in some districts a successful alternative approach to the teaching of reading and mathematics at the primary and junior high levels. Six companies installed their programs in 18 school districts throughout the United States. Quality Education Development was utilized at Rockland, [illegible]e; Anchorage, Alaska; and Dallas, Texas. Other companies involved in the program

were Westinghouse, Alpha, Singer Graflex, and Plan. OEO did not compare results among districts or companies. OEO did, however, make available to all project managers a printout of the evaluation test results.

These printouts indicated that the results of the Dallas program were superior to the results of programs at the other locations. For example, Dallas was the only site to have no negative comparisons (i.e., in all measurements the treatment group in Dallas made equal or superior gains to the control group). Of the twelve gain scores measured (reading and math for grades 1, 2, 3, 7, 8, and 9), ten treatment-group scores were higher than the control groups and the other two were equal to the control groups. Furthermore, six of the twelve measurements significantly favored the treatment group.

The math program appeared to achieve superior results to the reading program. At all grade levels, the treatment group surpassed the control group in math gain scores. In grades 2, 3, and 8 these differences were significant at the .05 level of confidence. In fact, at grade 3 the treatment group achieved six months more gain on the average in math than did the control group. Reading gain scores for the treatment group were significantly higher at grades 1, 3, and 8, again at the .05 level of confidence.

The final report from OEO concerning the Dallas project states: "Performance contracting appears to have worked somewhat better with the experimental group than traditional classroom methods did with the control group." The report goes on to state that the significant differences in gains in the lower grades show conclusive superiority for the treatment group in that pre-test differences are too small to account for the differences in gains.

There are other possible reasons for the success of the OEO project in Dallas:

1. Outstanding management support from Educational Turnkey Systems of Washington, D.
2. Sandra Malone, one of the best educational analysts in the country, supervised the complete operation.
3. Complete cooperation from the principals involved.
4. Teachers involved were outstanding in their performance and dedicated to the cause.

5. Don Waldrip, Assistant Superintendent-Accountability, with his positive attitude, motivated everyone he came in contact with.

The High School Performance Contracting Project was located in five Title I high schools. Reading and math programs developed by New Century Corporation were implemented. The Thiokol Chemical Corporation placed Achievement Motivation and Vocational Training in the areas of machine metals, automotive mechanics, and drafting for girls, into operation during the 1970-71 school year.

Progress in the direction of the first long-range goal, to increase the academic achievement and skill development of students who are educationally deficient, was accomplished to a degree. The evaluation would indicate that skill development was more successfully acquired than was academic achievement, but gains made by reading and mathematics students were generally, although not statistically, better than gains made by control students.

The second long-range goal cannot be adequately measured in one year. However, a large portion of the achievement motivation students - students who had been labeled as probable drop-outs - remained in school the entire year. Ninety-one percent of those students who entered the program in the fall were still enrolled at school's end.

The third long-range goal, which related to cost-effectiveness, is another matter. Perhaps in the long run, because of the information gleaned from this experiment, cost-effectiveness will be increased. High school reading cost the District $374.00 per student per year and mathematics, $442.00 per student per year. These figures would have decreased significantly if interim performance objective test results had not been a part of the payoff formula. New Century received some payment for no gain on achievement tests if the student receiving no gain did well on interim performance tests (IPO's). If a student showed a gain of .5 years but still scored more than 75% on his given interim performance objectives tests,New Century would still receive $66.61 for that student's performance. One hundred and twelve students in mathematics and 96 students in reading earned some payment for New Century even though these students gained less than one year in achievement. If one year had been set as the minimum acceptable gain

score and interim performance objective tests had not been used, the District could have saved $11,249.02. However, for the company to recoup its costs, the students would need to have averaged 1.5 years gain on achievement tests and 75% on interim performance objective tests.

In many cases no correlation was found between scores on the two types of tests. In fact, in some cases, the correlations were negative. Many possible explanations loom; the items were too easy; the achievement tests did not measure the objectives of the program; the students are "turned off" by standardized tests. In any event, whatever the correct explanation, the audit manager believes that interim performance tests play an important role - as a check on the progress of the program, to name one - but payment should not be attached to them. Criterion reference tests, such as the IPO's could be associated with payment if given at the end of the program, but contractors will see to it, out of self interest, that interim checks are made.

Performance contracting as a means of utilizing the skills and resources of the private sector is a viable alternative to traditional methods of developing curriculum and staff. The concept of accountability is more readily brought into view inasmuch as the contractor earns to the extent that his instructional system proves effective. But an important point arises here. The experiment over the past year has not evaluated performance contracting per se; rather it has evaluated certain instructional systems. As is the case in most research, some systems work better than others. The effectiveness of a particular system which happens to be the product of a company engaged in performance contracting says absolutely nothing about performance contracting itself as a concept.

For Achievement Motiviation, attendance was measured not in Achievement Motivation classes but, rather, in the regular academic classes of the achievement students. During the 1969-1970 school year, the target population had averaged approximately 73% attendance. During the 1970-1971 school year, on the other hand, those target students who were enrolled in achievement motivation attended school from 84% to 86% of the time.

The Research and Evaluation Branch of the Dallas Independent School District

developed a Deportment Scale for regular teachers to use in evaluating the attitudes of their students. Of a possible 70 points, the achievement motivation students received average ratings of 44.45, while the control students averaged 47 points. But, again, the difference in aptitudes prevented the evaluation from generalizing on these findings. Approximately 91% of these students remained in school the entire year - a commendable percentage considering the fact that these students were identified as probably, not possible, drop-outs.

Vocational subjects were offered in three areas: automotive mechanics, drafting, and machine metals. All programs were individualized, with much of the curriculum on tapes. Students would go from entrance to helper level, to assistant level, to apprentice level, to on-the-job graduate.

By program 82% of the automotive mechanics students reached a level of employment; 90.4% of the drafting students reached a level of employment; (helper level or above).

Many of the employers wrote letters of commendation on the students who received employment in their establishments.

The Council of the Great City Schools performed management support services. These included developing a management information system and a cost benefit analysis. The Council did not feel equipped to perform these services alone; therefore, it sub-contracted much of its work out to a company named Government Studies and Systems (GSS). GSS developed a management information system under a system entitled RAMIS (Rapid Access Management Information System). The total cost of the contract with the Council was $59,810.00.

GSS was extremely slow in the delivery of products; consequently the Council was late in meeting its contractual obligations to the Dallas Independent School District. The Management Information System was not totally operative until the new school year had begun. The report is now in the hands of the Dallas Independent School District.

A task of management during the present school year is to modify RAMIS to better the needs of the District. The District needs one management information system,

not a different one for each operation within the District.

Inasmuch as all reading and mathematics participants did not make positive gains, the computation of costs per learning unit was confounded. This computation, which was the responsibility of the management support group, was made by assuming that all students making a negative gain made zero gain. In reading, of those students for which both pre-and post-test scores were available, 213 made some kind of gain and 181 did not. Using 1.0 as the base performance unit, it would require $374.00 invested per students for each one year growth in the program.

In mathematics, 188 of 319 students made some gain, while 131 made no gain at all. The cost of this program was $442.38 per student/year growth. Of course both of these figures would decrease if more students could be moved from the negative gain column to the positive side.

New Century returned $54,390.81 to the Dallas Independent School District, making the total cost of its program $201,798.69 ($256,189.50 - $54,390.81).

The 1.2 adjustment takes into account vacant program slots. The cost to the Dallas Independent School District would have been much less had not students achieved so very high on Interim Performance Objective Tests; e.g., 315 or 334 scored better than 75% in reading.

Thiokol returned $1,728.43 to the District, but their refund was actually $19,892.43 The Dallas Independent School District did not make the final payment to Thiokol in the amount of $18,164.00.

The education auditor was Educational Testing Service. The primary task of an auditor is to "keep everyone honest." The auditor sees that conditions of the contract are met by both parties. In the case of this experiment, the auditor certified all test and attendance results. He monitored testing sessions, attested to the adequacy of testing conditions, and certified the items used in interim performance objective tests. In the case of vocational subjects, he sought out "experts" to check the individual progress of students.

In addition, the auditor attested to the appropriateness and adequacy of the

research design. He performed curriculum audits to insure that the contractor was not "teaching the test." He submitted four thoroughly pointed reports during the course of the experiment. The audit contract was in the amount of $27,500.00.

NOTES FOR A EULOGY OF 'PERFORMANCE CONTRACTING'

By:

JAMES A. MECKLENBURGER
Critic/researcher, Phi Delta Kappan

An array of things I have wanted to say has been running through my head ever since Dick Anderson invited me to write the concluding paper for this conference. I thought it might be important to say all these things, here, now, because this may well be the final forum from which to speak about performance contracting.

But I couldn't write one coherent speech. Five attempts yielded portions of five speeches. So, this morning at 4 A.M., I awoke with a panicked urgency to write that one cohesive masterpiece-of-a-statement which would say everything-there-is-to-be-said.

Like some performance contractors who had partial successes but failed to reach their guarantee, I can't deliver that gem-of-a-speech I'd promised myself, but here are five partial speeches that I hope will be of value.

I. The Last Word on Performance Contracting

Today's is probably the last word on performance contracting by me. It has been a pleasure to be associated with this topic, to have met the people involved and, perhaps, as reporter and student, to have helped move the phenomenon along. But we've all said about enough. With all respect to Dick Anderson and those sponsoring this conference, the small number of people who attended is, in itself, a sign that the wave of interest in performance contracting as an issue has already passed. Like those who might have attended but didn't, we have reached the point where we ought to stop thinking about the future of performance contracting, to relegate that term and some of its implications to a past tense, and to seek more vital issues for our attention.

A second "sign" that performance contracting has peaked as an issue is the change of terminology, which Joan Webster told us about, in Grand Rapids. The first year they talked about "performance contracting," the second year about "contract

learning," and this year about "individualized instruction." One cannot deny a certain amount of politics in this shift in terminology; nevertheless, that's an important shift: the first emphasis was on the device or gimmick of the contract, but by the third year emphasis was on what students and teachers ought to be doing in schools.

A third sign is in some of the statements of other speakers in this conference. Alex Canja told us that performance contracting is a "process." John Porter, in the speech Alex relayed to us, reminded us of the clarification in the Rand Corporation study of performance contracting that it is "not a program but a method of organizing programs," and George Hall reiterated this. These remarks indicate that performance contracting has been reduced from a faddish issue to more nearly its proper proportion. We might remember what Charles Blaschke has said about it since he introduced the concept in Texarkana three years ago: performance contracting is a limited tool. All too often, the people who have written about performance contracting have dealt with it as a global topic, not a limited one; with the passing of a fad we should welcome this kind of mistake's being corrected.

We might learn from other innovations during the 1960's which passed through a faddish stage - team teaching, for example, or programmed instruction - which are still in use, perhaps moreso than when they were fads, but which no longer stir major conflicts where they are used. At one time, like performance contracting, these ideas would have become the salvation of public education, according to advocates, or been the damnation of it, according to critics. With the passing of these fads, some utility was identified in these no-longer-innovative practices. Probably performance contracts have some utility and, similarly, will not disappear.

During this conference we have heard hints of the utility of performance contracting. It has served in some places as a change agent, if nothing else. Perhaps it may become a sales device for new educational practices. It may become a contracting format that will be utilized by teachers in collective negotiations, leading to the kind of teacher

cost-sharing that Charles Blaschke predicted here.

My dissertation suggests that performance contracting can be likened to drama. As with a play, performance contracting is a small thing, but because of the way it's honed, it captures our attention and teaches us things about ourselves. Let me read a short passage:

> If, as Hamlet thought, revolutions are in the mind, and one can connive with a mere play to "catch the conscience of the king," then performance contracts have acted in a revolutionary fashion. They offer a mirror into which public education has peered with chagrin. In this play, contractors did what public schools are reluctant to do: made promises about student learning they would be expected to fulfill. Theirs was a pragmatic, impatient, systematic approach to schooling; it was bolder, riskier, and more political than most educators would have found comfortable.
>
> If one believes that schools should be effective in their tasks, then American education is better off for the example of performance contracting - however imperfectly realized in practice, and whether or not it continues - than had it not occurred at all. How much has been learned in the mirror, time will tell.

Some evidence of learning through the mirror might be seen in the responses of some of performance contracting's harshest critics, the American Federation of Teachers. Bob Bhaerman, Research Director for the AFT, recently told a conference in Washington that performance contracting has had "some value" in "forcing us - teachers, administrators, and businessmen - to take a look at our objectives" as well as at standardized testing. At this conference some of you may have noticed Barry Noack, an AFT vice-president, involved in sensible discussion with Brian Fitch, Center Manager at Banneker School in Gary, Indiana.

II. The Definition of "Performance Contract"

This may be locking the barn after the cow is gone, because this should have been settled two or three years ago but has never been.

There is a quirk in our language which traps us as we talk about "performance contracting." In English, in our common discourse as we talk among ourselves, argue

and discuss, we frequently use one term (that is, lexical item, word) to mean many different things. But we are lax about differentiating meanings and assume each person knows what another means.

For example, think of "marriage." We know three distinct categories of meaning for that term, any of which makes sense in such utterances as "marriage is beautiful."

"Marriage" is an idea, a concept, capable of being considered abstractly. So is "performance contracting." "Marriage" also denotes a process whose parts we can dilineate: get a license, engage a minister, dress in costume, say "I Do." So does "performance contracting": RFP, contract, evaluation, payment, turnkey.

The third stage is experiential. Just as many of us have experienced "marriage" most of us at this conference have lived through a portion of the performance contract experience. We have seen one, been at one, fought through one, argued over one. We look at Texarkana, Gary, or Dade County and say, "I know about performance contracting; I've been there."

Steve Klein made a similar point, in his discussion of the confusions in the OEO study, when he compared the question "Does performance contracting work?" to the question "Do books work?". "Books" has the same three categories of meaning - concept, process, experience. Without differentiation of meanings, one is prone to make confusing or meaningless utterances.

OEO did not define what it meant by "performance contracting" when it asked "Does performance contracting work?".

Similarly, in this meeting and in dozens of publications, writers and speakers make statements about "performance contracting" without specifying whether their interest is in the concept, the process, or the experience. This failing, I suggest, is more responsible than anything else for the confusion, anger, misunderstanding and disagreement that has greeted this innovation. All too often, people have simply been talking to each other about different things in the identical language.

III. The History of Current Performance Contracting

This slice of a speech deals with a short seminal period in the history of performance contracting which has received relatively little attention. Let me try to encapsule that period and what it means.

Remember we've only been at performance contracting for three years, and even that number is misleading since decision points - should we enter a performance contract - have only occurred a couple of times. Yet we've already begun to forget why it was, in 1970, that people rushed to enter that sequence of processes we've called "performance contracting."

In 1970, 50 contracts began; there had been reliable estimates of 150. To explain this mushrooming number - since there had been only one contract in 1969 - we have to look back at the short space of time between January and April of 1970 in which was created an attitude or flavor. Some have called it a bandwagon or a fad. Events caught people in a kind of irrational behavior, a mild mass hysteria; the projects in Virginia, the ones in Dallas, the one in Gary, the OEO project and most others came out of this environment.

For six months of the Dorsett project - that is, the 1969-1970 contract in Texarkana - testing was not at issue. Students entered the learning center and took a standardized achievement test. Several hours of instruction later, they took another test. Students who achieved at least one year's gain in reading and mathematics - that enough for the contractor to receive payment - were returned to regular classes and replaced by another student.

At that time no one asked the question whether one could do this reliably or validly; that is all after the fact.

In December, Dorsett chose 27 students and administered a standardized test. Although the results were said to be for project management purposes only, they were published outside of Texarkana because, obviously, people who were excited about performance contracting in Texarkana, including Charles Blaschke, wanted to make it known. This is a statement that Blaschke wrote at that time:

> The average grade level increase in reading skills of all those properly assigned students who were tested with alternate forms of the same test instrument (for pre- and post- testing) was 2.01 grade levels in reading and 1.09 levels in mathematics. Assuming that 28 hours were spent on reading study and 20 hours were spent on mathematics, this implies one grade level increase per 14 hours in reading and per 18 hours in mathematics.

If you know anything at all about compensatory education, you can understand why that was exciting. And people did get excited.

In February, 51 students, after 89 total hours of instruction, were achieving .99 grade level increases in mathematics, 1.5 in reading. In March, 45 students, after a total of 120 hours of instruction, were achieving 2.2 grade level increases in reading and 1.4 in mathematics.

At that point, Senator George Murphy read the February test scores into the Congressional Record. Education USA reported them. Martin J. Filagamo, the project director in Texarkana, reported the March test scores in Today's Education in May, which reaches a million readers. Blaschke, Leon Lessinger and others were running around the country speaking at any conference they were able. They spread the word: there was this thing going on in Texarkana and it was great. They were doing things no one had done before, and it was just wonderful.

Couple the kind of enthusiasm, happiness, elation that we'd finally broken through with a kind of ignorance about standardized testing that we've only begun to break through, and you get a "Wow! We can do this thing!"

It isn't very surprising that the OEO people, for example, were convinced that a company could come in and guarantee a year-and-a-half grade gain in one year. Dorsett, after all, had done twice that in half-a-year. My suspicion is that had it not been for the Dorsett teaching-to-the-test scandal in the summer of 1970, there would have been a lot more performance contracts that year (and if that scandal had broken a week earlier, we might have missed the OEO experiment, but they announced it before the scandal so they were stuck).

What you have to know about the Texarkana scores, however, is that 351 students attended the Rapid Learning Centers from October to May, while the number tested in

December, February and March (27 + 51 + 45) was only 123 students. Those were the scores that were reported. They were not averages for the student population. Those were the students who made it first. But people got excited, going what Stan Elam called "stark raving Texarkana" and the bandwagon was off and running.

There is a larger implication in all this than merely that some of us were either hoodwinked or taken for a ride or caught up in something done with integrity. There is a problem in education about knowing what is going on. There is no one out there who reports authoritatively on what is going on (although Rand is beginning to take on some of that function in certain small areas). But there isn't anyone out there who says, "This is so, we believe it, it's valuable, it's reliable. You can believe it."

In place of that, there are many people who write and each of us relies on a few sources of information, we talk to each other through veils of partial information or misinformation, and there is a lot of news management, a la Pentagon news management, so that we don't really know what is going on and it is easy to start a bandwagon.

Gary Saretsky, whom Charles Blaschke mentioned earlier, has a way with words. Not only did he talk about "Every Kid a Hustler" and the "John Henry Effect", but he talked about this being "The Year of the News Release." There was, during 1969, a great deal of that kind of managed information.

Three kinds of information were available during that first year of the Texarkana project:

First, there were the self-congratulatory statements issued by school district personnel, by Blaschke, by Lessinger, by Dorsett, by Congressman Pucinski and Senator Murphy and others who wished to promote performance contracting, educational technology, accountability, or some combination. This was by far the most frequent kind of information vailable. It was general; it was shallow; it was biased; it was evangelical. But it was exciting.

Second, there were reports of those who visited Texarkana. These tended to be school superintendents or their representatives, state and federal officials, education companies and their friends, possible clients of Blaschke or Dorsett, and the like.

Most visitors were friendly toward the project. Hostile visitors did not go there, since no apparent reasons for hostility existed until after the project, when scandal broke. Therefore, most people knew almost nothing about the inner workings of the Texarkana project except what its partisans chose to reveal.

The fact that this is not surprising is, I think, an indictment of the whole educational enterprise. We just don't make a practice of collecting and disseminating authoritative and truthful data. We don't have to. We treat our data to our advantage. As a result, people act on misinformation; this goes far beyond performance contracting, which serves here as an example.

IV. Performance Contracting as Essentialism

Performance contracting, as an historical phenomenon, 1969-1971, has led us down a philosophical path which is not implicit in the concept of performance contracting.

Theodore Brameld once identified four general philosophical approaches to the purpose of education: "Perennialism" holds that education's mission is to perpetuate the "perennial" heritage of civilized man. "Essentialism" asserts that education should provide children the knowledge each must have to function as an adult in his society; one ubiquitous example of Essentialism is our contemporary emphasis on "basic skills." "Progressivism" emphasizes education's mission to develop "the whole child" - a philosophical stance rejected by several speakers at this meeting. "Reconstructionism" says that education should serve as an instrument for societal change, helping children to live in a new and better world.

Most educators, it seems, accept a blend of these approaches as their own philosophy; relatively few stress only one of these four viewpoints. But, perhaps by the historical accident of its coincidence with compensatory educational programs, performance contracting has appealed to Essentialist elements in each of us, and has attracted people who come close to being pure Essentialists in their thinking about education.

For example, Alex Canja's presentation at this meeting conveyed the Essentialist flavor of current performance contracting efforts in Michigan. He told us that what

Michigan schools must commit themselves to do is to assure that every child learns the basics that will make him a functioning adult in society - specifically to make him employable, literate and able to calculate; he spoke of education's function as the making of good citizens for a technocratic society. Performance contracting, he told this meeting, is a device that will help establish quality control in Michigan's schools. (As an aside, what distressed me in Alex's presentation occurred later, when he related to us how he functions in a technocratic society: In his organization - which he proudly stated was further ahead than any State Department of Education in the nation - everyone must express the identical policy perspective on twenty-nine vital educational issues. By juxtaposing his statements,one feels a frightening direction toward public schools which serve to train youngsters to function in monolithic bureaucratic organizations where everyone is expected to say the same thing.)

We should stress that nothing in the concept of performance contracting is inherently Essentialist, although there have been few projects to date which have not stressed basic skills. One contrary example, which Jack Wilson and I described in the September, 1971, Phi Delta Kappan, is a project called "I-Team" in Cherry Creek, Colorado. I-Team is a "Progressive" - even "Reconstructionist" - effort of the Cherry Creek schools, designed to save potential dropouts by offering them an alternative, friendly, supportive educational program. It is a performance contract; a team of teachers agreed to strive to reach nine performance objectives and to receive a bonus upon the completion of all nine. Some objectives were testable; some were observable; some were judgemental. A team of outside evaluators from universities in Colorado agreed to judge the teachers' success on the nine objectives. The evaluators used interviews, personal observation, criterion-referenced tests, final reports by students and teachers, and a series of attitude scales, as well as standardized tests. Eventually, the evaluators reported to the school board that the teachers, in their judgement, had succeeded admirably on all nine objectives (in 1970-1971) and the teachers received their contracted-for bonus.

This one example, as well as the teacher-training performance contract in Duval

County, the achievement motivation contract in Dallas, and the vocational training program in Dallas, suggest that performance contracting can be used with any kind of instructional objectives, any kind of instruction, and many kinds of evaluation.

Whether one chooses to performance contract need not be a product of one's philosophy, of one's interest in basic skills or in compensatory education. Rather, one should consider a performance contract insofar as he believes it has some advantage over other kinds of contracts.

One example of such decision-making can be discerned in Joan Webster's discussion at this meeting. She told us that she would prefer, when contracting with a profit-seeking company, to use a performance contract rather than a fixed-price contract. When you can affect their pocketbook, she said, they are more responsive to your needs. That kind of motivational effect has been attributed by many observers to performance contracts. It is unrelated to what the contractor teaches or to whom or by whatever method. It relates only to the relative merits of one contracting medium or another.

When we perceive that performance contracts are somehow inextricably related to compensatory education or to basic skills instruction, we may be historically correct, but we do the concept of performance contracting a disservice.

V. Derigibles and Contracts

Probably this final speech has no great meaning; I'm not sure. But comparing derigibles to performance contracting - and perhaps the Hindenberg disaster to the OEO experiment - seemed an interesting metaphor to play with, so let's see where it may lead.

Remember the derigibles? Earlier in this century, some people had an exciting idea: motorized, long-distance, lighter-than-air vehicles. Not millions of people, just a few people. Since no one had flown a whatchamacallit, or built one or seen one, these visionaries probably had difficulty even discussing their prized idea, much less selling it to others. Imagine trying to excite investors with a flying metal balloon with an engine in the back like a submarine. Still, however imperfect their idea,

these advocates would have been resolved to overcome the obstacles and create real flying submarines.

This parallels the situation of Charles Blaschke and a few other people in 1966, 1967, 1968 and perhaps 1969, and some people even now, in struggling to talk about and realize this concept called "performance contracting." How to describe it: is it like business? Skinnerean conditioning? Defense procurement policies? Or is it new and unique? What language to talk about it: pedagese? managerial jargon? Use old words with new meanings (such as RFP, or turnkey), or new ones (such as learning support contractor, or educational accomplishment audit)?

Since this coterie had some ingenuity, they eventually tried to build their device. They devoted their personal energy, time and commitment to it, regardless of how strange it seemed to others (a derigible looks like a lopsided football with wings, after all.).

If "funny-looking" is an ignorant criticism of derigibles, it's easy to make and hard to refute. Similarly, in 1969-1970, criticisms of performance contracts were mostly created out of fear and ignorance. People had no experience with this whatchamacallit, but it looked peculiar, sounded lamebrained when described, and called to mind possibly hideous consequences: remember how, if Texarkana succeeded, evil ravenous corporations would rape the public purse, robotize our children, and make public-education-as-we-know-and-love-it disappear? Of course, amidst the negative response was some criticism of value: derigibles were dangerous because of inflammable gas; performance contracts were suspicious because of their use of standardized tests. But these criticisms were, at first, easy to ignore.

Regardless of hostile criticism, a few whatchamacallits were built. More people heard of the idea, some liked it, and a second generation was designed. Soon, there grew a cluster of people, experts, specialists, who really knew about derigibles - who could fly them, design them, repair them, advertise them, promote them, schedule them, finance them, etc.

I would like to suggest that many of those who attended this conference, myself

included, are within that coterie of people who have clustered around this derigible, performance contracting, as it grew.

With initial success came rationalization as we boasted of the essential principles behind our effort. Lighter-than-air travel: an elementary, fundamental, crisp, lovely principle. Payment-for-results: an elementary, fundamental, American-as-apple-pie principle, as old as the Greeks. (Mercenaries, we recall, if they died or lost in battle, didn't get paid.) Recourse to principle is a pitch for respectability. Some unkindly called it "hucksterism."

New phenomena attract ideas. As this conference has made clear, performance contracting has had no surfeit of ideas associated with it. We've heard people say, "When you talk about performance contracting, the real issue is . . ." And so, as the phenomenon grew, "the real issue" category came to include business and the profit motive, accountability and taxpayer revolt, urban school decay and rising welfare roles, contingency management and cost-effectiveness, national politics and dehumanization of classrooms, and more. As our whatchamacallit became associated with these concerns, we who form the innovative coterie have found ourselves pontificating on these topics; and who can deny the pleasures of notoriety. One can hear now some 1930's radio interviewer earnestly asking the pilot of a derigible what he predicts for the future growth of world government.

What eventually happened is that a prominent whatchamacallit crashed, and exploded in front of a news camera.

Shock. Fear and trembling. What happened? It's awful. It was terrible! It was providential. It was only a fluke! Don't worry. We'll try again. We'll do it differently. We'll keep going, despite the setback. We'll never see its likes again. Will there be funds? Wouldn't touch it with a ten-foot pole. What now?

I would like to suggest that this conference represents the derigible inventors and their followers, meeting a few weeks after the Hindenberg exploded. Minimally, most of us are here because we may not have a chance to see each other again. We have chosen to talk mostly about old times - very different from the way we used to

talk. We have a new perspective now, since OEO burst our balloon. Where we once were excited about our whatchamacallit and constantly thought about its future, suddenly we have to think about both past and future. Where have we been? Did we do anything that's still important? What have we to salvage? We have personal worries now. How shall we make our money next week? Who shall we work for? What shall we write about now? How can we maintain our reputation? Whose back might we scratch? We are no different, of course, from the derigible pilots, designers, schedulers, financiers, etc.

We evidence a kind of enniu, at this meeting, a kind of lack of commitment and direction. Some people have said, "Out of this whatchamacallit experience we have learned THIS, "where THIS is how they plan to make their living. Others have said, "Give me another chance; I'll design it slightly differently and think up a new name." Others have said, "I wasn't really about whatchamacallit anyway - what I really was about was whodathunkits." There's been a lot of scrambling going on, and rightfully so, for we don't know exactly where we are.

If there's any hope in this metaphor, other than the promise of nostalgia-to-be for the good-old-derigible-days, it is that while derigibles didn't last, lighter-than-air travel has lasted. And long-distance air travel has lasted. And a variation of the derigible has lasted, in the blimp, although it was never very popular. And now, 35 years later, there's some enterprising soul who thinks he can use a different gas which won't explode, and try derigibles again. Who knows. Maybe, when we're all 74 or 89, we'll be able to sit crotchety in our rockers and warn cantankerously that education has seen this whatchamacallit before. (And we will be accorded the same treatment as those contemporary sages who are saying to us: "remember Accountability in Victorian England" and "remember Scientific Management." We'll be ignored.)

FOOTNOTES

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[3] Reed Martin and Peter Briggs, "Private Firms in the Public Schools: One Year of Performance Contracting," Education Turnkey News, February-March, 1971, p. 3.

[4] Ibid.

[5] Ibid., pp. 4-5

[6] Stucker and Hall, p. 47.

[7] Martin and Briggs, p. 11.

[8] Ibid., p. 3.

[9] James Mecklenburger and John O. Wilson, "Learning C.O.D.: Can the Schools Buy Success" Saturday Review, September 18, 1971, p. 79.

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[11] Robert E. Stake, "Testing Hazards of Performance Contracting," Phi Delta Kappan, June, 1971, p. 586.

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[14] Ibid., p. 588.

[15] Charles Blaschke, "From Gold Stars to Green Stamps," Nation's Schools, September, 1971, p. 53.

[16] Robert Kraner, "Texarkana Revisited," EPIC Evaluator, Fall, 1971, p. 7.

[17] Blaschke, p. 52.

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[22] Today's Education, December, 1971, p. 13.

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[25] American Teacher, September, 1970, p. 11.

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[35] Martin and Briggs, p. 6.

[36] John W. Porter, "Performance Contracting - Accountability and the Michigan Education Program," BRL Seminar, March 20, 1972, p. 15.

[37] Education Turnkey Systems, Inc., Final Report to the Office of Economic Opportunity: Performance Incentive Remedial Education Experiment, August 31, 1971, p. 1.

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[39] Ibid., p. 193.

[40] Ibid., p. 206.

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[42] OEO Director's Evaluation Chapter, Mimeo, December 22, 1971, pp. 9-10.

[43] Joan M. Webster, "A Cost-Effective Analysis of Selected Reading Programs in the Grand Rapids Public Schools (abstract)," unpublished Ph.D. thesis, Michigan State University, May, 1972.

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[46] Ibid., p. 39.

[47] Martin and Briggs, p. 10.

[48] OEO Summary, p. ii.

[49] Ibid., p. 16.

[50] Ibid., p. 17.

[51] Ibid., p. 19.

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[53] Ibid., p. 22.

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[55] Ibid., p. 24.

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[57] Ibid., p. 32.

[58] Ibid.

[59] Battelle Memorial Institute, Interim Report on the Office of Economic Opportunity Experiment in Educational Performance Contracting, January 29, 1972, p. 86.

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[67] Ibid., p. 31.

[68] Ibid., p. 33.

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