

**Performance Based Funding in Adult  
Basic Education:  
Opportunities and Challenges for  
Massachusetts at the Intersection of  
Program Accountability and Funding**

A Briefing Paper for the MA ABE State Planning Process

By

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## **I. Introduction**

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This paper seeks to brief Massachusetts educational policy makers on issues related to the integration of program accountability for results with funding allocation methods, and to make preliminary recommendations on how the state might take initial steps towards incorporating program accountability as a condition of funding. "Program Accountability" here is also referred to as "performance-based funding." For purposes of this briefing, both terms refer to the method of linking grant funds to specific participant outcomes, and requiring specific outcomes at the program level as a condition of funding.

## **II. Context**

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### **A. Why are we talking about performance based funding?**

In 1995, the U.S. Government Accounting Office (GAO) published a report entitled, "Adult Education: Measuring Program Results Has Been Challenging." The report noted that ensuring program accountability for results was problematic,

*Evaluating program results depends on having clearly defined objectives, valid assessment instruments, and accurate program data. Some program officials and experts have raised concerns that, because the State Grant Program lacks clearly defined objectives, the types of skills and knowledge adults need to be considered literate are not clear and, thus, states do not have sufficient direction for measuring results. In addition, some research has questioned the validity and appropriateness of the student assessments used in adult education programs and, therefore, the usefulness of the data generated from these assessments. In the states we visited, local program officials had mixed views of the assessment instruments the states required them to use. Finally, missing and inaccurate data may compromise any attempt to improve program accountability. Federal and state officials acknowledged serious problems with the data that states report to the Department of Education.*

The report highlighted the need for data which could demonstrate the impact of adult education programs to a wide and diverse audience. In response to this need, the state directors of adult education worked with the Division of Adult Education and Literacy (DAEL) on a national system for collecting information on adult education student outcomes. In March 1996, the national meeting of state directors of adult education was spent developing a framework for program accountability. The result of this work is today's National Reporting System for Adult Education (NRS) which includes a set of student measures to allow assessment of the impact of adult education instruction, methodologies for collecting the measures, reporting forms and procedures, and training and technical assistance activities to assist states in collecting the measures. The launch of the NRS was in 1997, a year before the Adult Education and Family Literacy Act within the Workforce Investment Act (WIA—P.L. 105-220) became law. This Act established accountability requirements, including that states develop outcome-based performance standards for adult education programs, as one means of determining program effectiveness. The NRS mandate was then expanded to establish the measures and methods to conform to the Workforce Investment Act requirements. Today, the NRS requires that states report on "core measures," in order to enable assessment of the impact of adult education instruction. All students receiving 12 or more hours of adult education services must be reported on related to the core measures. Please see Attachment B for the NRS Core Measures.

### **B. How does Federal funding for state and local adult education currently link to performance measures?**

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Federal funding for state systems of adult education has historically been formulaic, based on the number of state residents over age 16 that lack a high school credential. Additional funding is also available through discretionary or state incentive grants, which are linked to performance on the core measures (see above) in the NRS. All states are currently required to add local resources to the federal funding, but the amounts of matching funds as well as the method for distributing them vary widely.

The US Department of Education (ED) is encouraging states to link local funding to performance measures and it is likely that some future funding will be tied to this as a mandate. Currently, state funding for adult education services come from the *Adult Basic and Literacy State Grants* program, administered by the Office of Vocational and Adult Education (OVAE). OVAE has established a straightforward goal for this grants program and established target performance measures in five areas (“indicators”). The objectives include establishment of opportunities for adults to acquire basic skills, complete instructional levels, gain a high school credential, transfer to post-secondary education and/or training programs, and to find employment.

According to OVAE<sup>1</sup>, performance on these indicators is improving annually and performance targets are increasing as well. OVAE sets the targets higher each year in order to stimulate continuous improvements, and reports annually on progress based on state data submitted by the Title II administrators/grant recipients in each state.

### **C. How are other states addressing this issue?**

Many states are beginning to use performance criteria to allocate adult education dollars. Indiana uses approximately 5% of its total state spending on a supplemental grant program which is distributed on performance criteria. Missouri distributes about 10% of state and federal dollars in performance based program grants. According to a recent study of ten states prepared for OVAE by MPR Associates<sup>2</sup>, among states studied, 50% allocate some portion of their state and federal funds using performance criteria.

Of those, two states (California and Kansas) allocate 100% of federal adult education dollars using performance criteria. In addition, two other states (Michigan, Pennsylvania) are revising funding formulas and are likely to include new/increased performance criteria into future funding requirements for local grantees.

Most often state targets are set inline with NRS core outcome measures. The most commonly used measures in determining eligibility for state level performance based funding include:

1. Educational gains
2. Attaining the high school credential
3. Entering employment

### **Incentive Grants v. Base Grants**

The most common model for using performance based funding to allocate resources is through an incentive program. Most states<sup>3</sup> using these formulas have some method for allocating base resources on a formula related to seat time, attendance, level of need in the population surrounding the program and/or full-time equivalents. These base allocations are then

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<sup>1</sup> <http://www.ed.gov/about/reports/annual/2006plan/edlite-g5aeftadultbasic.html>

<sup>2</sup> Steven Kline, “Performance-Based Funding in Adult Education”

<sup>3</sup> Florida, Illinois, Kansas, Kentucky, Michigan, Missouri

supplemented to reward exceptional performance among qualifying programs; those who meet certain targets and/or exceed state goals.

A less common model is to use performance based formulas for all or most of adult education funding, in effect, creating a system where base grants are linked to specific program results or learner outcomes. Kansas uses 88% of total state and federal dollars to award on the basis of performance and outcome measurements.

Please see Appendix C for specifics on the funding formulas in use by selected states studied in the MPR Associates report.

### **III. Current Status of Performance Based Funding in Massachusetts**

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States stand between local programs and federal funding, often acting as a “pass-through” for funding and less visibly, for policy. Anticipating the increasing federal emphasis on linking performance with accountability for specific adult learner outcomes at the federal level, states have two basic choices:

- ◆ Use performance based funding only for programs encouraged or mandated by the US Department of Education, limiting initiatives to those funded by federal grants (holding state funding aside to use in allocating on other criteria)
- ◆ Combining state and federal funds to promote performance based accountability at all levels.

Massachusetts currently (by WIA mandate) assigns 18 out of 100 scoring points on applications for funding based on past performance. It does not create additional incentive programs using performance based criteria. However, the Massachusetts approach is summarized by the goals articulated in the Title II plan (under revision). The current plan stresses the need for increased accountability for results at the program level, and indicates that,

*Competition for new ABE grant awards, continuation funding and requests for increased funding will increasingly **depend** on the performance of programs with respect to student participation, student learning gains and achievement of the goal(s) established by each student. (emphasis added).*

The Massachusetts ABE Director, Anne Serino, notes that the state is committed to understanding the impact that performance based funding would have on programs and learners in order to be prepared in the event that further use of this type of funding were to become a federal mandate.

The objective of moving toward performance based funding is to leverage the power of linking accountability to funding to promote quality and efficiency at the local level.

Given this, it is important to examine some of the challenges and opportunities present in building a more performance based funding system using federal and state resources.

## IV. Opportunities

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Implicit in any discussion of linking program accountability to funding is the question of to whom adult basic education programs are and should be accountable. Learners? Taxpayers? Employers? Public funding agencies? All of the above? How can one under funded adult basic education program meet the mandates of such a varied group of interested stakeholders?

These myriad stakeholders each have different goals and objectives for any state system of adult basic education. As Juliet Merrifeld<sup>4</sup> points out, our discussion of accountability systems is really a discussion of which values we will place at the top of the pyramid – whose outcomes matter most?

The NRS core measures are the most likely to be those that matter most in terms of attracting new funding for adult education, at least from public sources. These outcomes, then, become those that are likely to matter most at the state level, where competing nationally for federal dollars is a central challenge for state administrators.

At the program level, this likely emphasis on the NRS core measures or even other external measures imposed by state and federal programs in the form of performance incentives or requirements for funding may result in the decision to leave the state system of adult basic education (and seek funding or resources through non-governmental sources only). For other programs, it will entail an adaptation of their work to meet the requirements or incentive programs. And finally, for some, it will encourage a complete reshaping of their work to ensure continued maximum eligibility for funds.

What are the risks and the opportunities for the state's adult learners and the programs that serve them in moving toward increased allocations of resources on the basis of performance and accountability for results?

There are four major categories of benefits to systems in linking accountability for results to program funding.

- ◆ Improved programs and learner outcomes
- ◆ Support for expansion of adult education services
- ◆ Improved system management and administration
- ◆ Improved coordination between adult education and other publicly funded systems

### **Improved Programs and Learner Outcomes**

Program accountability systems have the ability to improve program operations in the following ways:

- ◆ The state can better monitor performance and identify areas which need attention/technical assistance in a timely and highly tailored way, enabling the delivery of support when and where most needed.
- ◆ States can increase funding to high performing programs and decrease funding to those which don't meet learner needs/objectives as well.

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4 Merrifeld, *Performance Accountability: For What? To Whom? And How?*

- ◆ Programs themselves have richer data by which to measure and assess their own performance and can use this data to aid in their own continuous improvement processes (though this is accomplished already through SMARTT).
- ◆ Programs understand what is important to the state level and will be responsive to state policy as a result of knowing that funding is tied to it.

### **Support for Expansion of Services to Adult Learners**

An important argument for linking accountability to program funding is that it aids in political efforts to drive an increase in resources to programs, and provides a justification for the expenditure of tax dollars on publicly funded programs for targeted populations. In other words, linking accountability to funding can lead to increases in programming for adults, or at least as in the case of Massachusetts, the ability to retain funding over time while other areas lose support in difficult fiscal times.

In addition to enabling the state to make the case to legislators, this kind of data would also enable the state to make the case to employers and other types of potential funders and users of the ABE system. It is reasonable to assume that the state could leverage more funding (private, local, state, federal) by enabling consistent reporting on progress and impact of prior investments

### **Improved System Management and Administration**

At the state level, systems with high levels of monitoring and analysis can manage for the results they want in important ways. For example, in Kansas, state administrators realized the formula (which rewarded outcomes and quality) provided no incentives for small programs to grow because growth was not a result the system measured. By adding growth as a point-bearing factor in the formula, this changed and enabled small programs to reach new learners, and the system was able to grow those programs which were most effectively getting the results they wanted.

### **A More Equitable State System**

Depending on how well programs believe the system is working right now, the use of performance based funding might improve perceptions of fairness across the state. Many states have formulas which are complex and poorly understood by practitioners. Becky Dyer, Maine's ABE Director referred to her earlier experience as a program operator and said, "We had no idea how the grant and our performance related to our funding. The amount never changed and it didn't make any difference if your grant got a high score." She noted that less populous regions of the state got large grants, and cities were under funded despite their service to many more learners. The implementation of the performance based funding formulas is specifically designed to make the awards more comprehensible to practitioners and to ensure a fairer distribution of funds across programs.

### **Improved Coordination between Adult Education and other Publicly Funded Systems**

There also are measures of student status in the National Reporting System that include target populations identified under WIA. These measures are included for States that want to report on services provided to these populations. The definitions are identical to those used by the U.S. Department of Labor, which aids in uniform reporting under both Title I and Title II of WIA. This kind of coordination can help states determine more accurately where their funding and efforts are most concentrated, where more attention/resources are needed, etc.

In addition, it may help to align funding for adult education more closely with the K-12 funding streams, which clearly link funding to accountability for results, particularly if the link between funding for adult students is shown to support the goals of No Child Left Behind<sup>5</sup>.

## **V. Challenges & Potential Problems**

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The shift to measuring results or outcomes rather than inputs or processes for purposes of determining funding levels is attractive insofar as it promises to improve the ABE system for learners and to help develop programs better equipped to support learners' goal achievement. However, often these kinds of shifts have unanticipated and unintended consequences, or at worst, create perverse incentives for programs to operate in direct opposition to the way that the state is aiming to encourage them.

This section examines some of the problems encountered or anticipated by programs and system administrators in an effort to help Mass. avoid them if/when accountability systems are linked to funding streams here.

### **A. Perverse Incentives**

#### **Creaming**

Programs start to serve the standards rather than the clients. Creaming is one of the most common problems feared and sometimes encountered by systems which link accountability for outcomes to funding. "One of the major problems experienced by JTPA programs resulting from the use of performance standards is the unintended consequences the standards have on program service delivery and participant enrollment. Studies of the impact of standards have found that, when the standards are set too high, local programs become overly concerned about meeting the standards and may design programs to meet the standards, rather than serve clients."<sup>6</sup> In the case of ABE programs, students with low literacy skills and/or who are at very beginning levels of acquiring English language skills may be passed over in recruiting for programs overly concerned with outcomes linked to performance.

#### **Data Manipulation**

Program operators may take a variety of steps to secure their funding by manipulating data to report to the state regarding outcomes. Examples include over enrollment of students early in the cycle to identify those most likely to succeed and entering only their data into the system, test score inflation to ensure the demonstration of successful students, or in some cases, fabrication of pre- and post-testing. There is widespread belief among program operators and researchers that some programs are already doing this simply to stay in compliance with existing state requirements for funding. (here and in other states).

#### **Working Against Individual Learner Goals**

Students in programs with high levels of accountability for results may find that programs are not fully responsive to the complex array of student needs. For example, for a request for a leave of absence, for a shorter program schedule (lower intensity) for those who work long hours or have extended responsibilities which could be accommodated in the current rate system might be

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<sup>5</sup> No Child Left Behind is designed to support high academic achievement among underperforming students. It is well-documented that there is a correlation between parental education levels and student performance, so the link between NCLB goals and those of the MA adult education system are clear.

<sup>6</sup> Condelli and Kutner, *Developing a National Outcome Reporting System for the Adult Education Program*

denied in a system more concerned with outcomes. Programs might find that they were decreasingly flexible for students in their efforts to be accountable to funding sources.

### **Reductions in Services**

In Kansas, there has been a reduction in the number of programs providing services (from 36 to 31) since the state moved to using performance based funding formulas to distribute 88% of all federal and state funds.

Kansas ABE administrators, when shifting to performance based funding, promised that all programs would continue to receive their funding in the first year, and then reviewed against the new criteria later. They did, however, alert 3 programs to their “probationary” status, with conditional funding based on quality issues identified by state officials. These three programs were then denied further funding in year 2 of the program (though one reapplied in year 3 and was later refunded). Since the introduction of the new funding strategy, 5 programs in total have lost funding as a result of not meeting state performance outcome standards.<sup>7</sup>

In Maine, on the other hand, the introduction of performance based funding did not result in a net loss of programs, though some were de-funded. In the pilot year, 18 programs lost some of their prior year’s funding (sustained a funding cut), and 18 new programs were awarded more funding than they’d had in previous years. In addition, 5 programs were totally de-funded, and 5 new programs were funded for the first time.

### **Unrealistic Expectations**

Even Start, a federally funded program which used performance funding to allocate resources provides some examples for review. Even Start was evaluated by multiple research outfits, with conflicting results, but many promising outcomes were clearly seen across evaluation efforts<sup>8</sup>. Despite this, the program faces funding cuts and probable elimination. Why would a program with good results still end up on the fiscal chopping block? Tony Peyton from the National Center for Family Literacy offered one explanation, noting that “Even Start is a victim of a lack of constituency, not a lack of demonstrable outcomes.” Peyton suggests that because Even Start served a relatively small number of people, its lobbying efforts were doomed in the face of mounting pressure to trim spending.

## **B. Other Operational Challenges and Problems**

### **Using the Wrong Tools – And Making the Wrong Decisions**

The Equipped for the Future project of the National Institute for Literacy has been working to align its standards with NRS core measures to enable programs to use EFF standards in assessing and reporting on their own performance. This is important if EFF is better at measuring the quality of learning and learner progress in line with learner goals and program offerings. The EFF guide to assessment notes that, “Almost everyone would agree in theory that the ultimate goal of holding adult education programs accountable for achieving learning results is to make high-quality learning opportunities more broadly available. But accountability mechanisms that simply

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<sup>7</sup> These were diverse in type of programs; two community colleges, two community-based programs and one school district program lost funding.

<sup>8</sup> Scott Himmelstein, CEO of the National Even Start Association in 2005 testified to Congress in : “The average literacy level for adults entering a New York Even Start program is below the 8th grade level; yet 84 percent of the adults participating in Even Start increased their literacy levels by at least a grade level last year. They were twice as likely as adults in other adult education programs to get their GEDs. Importantly, over 70 percent of these same parents showed documented gains in providing their children with educational support at home and in school.” Cited July 2006 from [http://www.evenstart.org/news/himmelstein\\_testifies.shtml](http://www.evenstart.org/news/himmelstein_testifies.shtml)

identify programs that succeed in order to sustain them and identify those that fail in order to eliminate them do not necessarily provide information that can be used for program improvement. Achieving continuing improvement in adult basic education and reaching higher levels of adult learning is possible when the content of accountability assessments is aligned with standards for curriculum and instruction, when the meaning of assessment results is clearly and easily understood by all, and when results are fair to all.”

The problem of using the wrong tools to assess results and ending up with a negative view of the effectiveness of adult education is the most serious threat to adult education. Note Lorna Rivera’s assessment of the impact of the use of the Program Rating Assessment Tool (PART) to judge effectiveness of adult education programs,

*Public funding for adult basic education in the United States in FY07 is in jeopardy because the system does not produce the right “performance-based outcomes.” According to the National Council of State Directors of Adult Education, “information in the president’s 2007—2008 budget documents erroneously reports that adult education does not have the data to document that it is a successful program” (p.1). The Program Assessment Rating Tool (PART) was used by the federal government to rate adult education programs performance and it showed negative results. The Office of Management Budget requires “numeric” targets whereas DOE requires percentage targets to assess “key performance measures.” The OMB primary measures use “increased earnings,” but adult education programs do not collect these data. State directors of adult education also criticized the fact that the PART report was based on an incomplete pilot study of the National Reporting System (NRS) in 2001. The NRS provides data on attainment of diplomas, access to post-secondary and jobs, as well as increased skills in reading, writing, and math. “As a result, adult education is 1) being rated by PART on criteria on which it does not collect data, and 2) is penalized because the two departments of this administration do not agree on evidence (i.e. numeric or evidence) to document results”<sup>9</sup>*

### **Poor Data**

The complexity of adult education programs and the variations in learner populations, staffing patterns, and program offerings makes data collection a challenge in any circumstance. This problem is further compounded by the fact that adult education and literacy programs are often “open entry-open exit” programs. Gathering reliable data on this array of complex factors can be prohibitive. Linking funding to accountability relies heavily on data collection at the program level to inform funding decisions; which in turn would exacerbate and problems associated with poor data collection.

Last spring, the Government Accountability Office issued a report recommended suspension of the use of the Head Start National Reporting System to hold programs accountable for purposes of linking funding and other resources to the results reported in the system. Their rationale was that the testing done on the Head Start participants was a) unscientific and b) the Spanish version was even less reliable than the English version, and therefore, producing data of insufficient quality to determine funding. This kind of a problem is likely aggravated in a system using diverse assessment methods and delivering programs in many types of settings.

### **Interpretation of Data Can Be Overly Complex**

In Florida, the state wanted to make allowances for the variations in types of programs, types of learners, and the general complexities of the adult education system in order to be certain to fairly

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<sup>9</sup> Provided by Lorna Rivera from her upcoming book, *Laboring to Learn: Women’s Literacy & Poverty in the Post-welfare Era*. Dr. Rivera downloaded this passage on 4/8/05, from [http://www.ncsdae.org/myweb/State\\_Directors\\_Response.htm](http://www.ncsdae.org/myweb/State_Directors_Response.htm)

fund programs that served harder-to-reach participants or learners with multiple barriers to success. This was an effort to avoid creating a system which rewarded creaming.

To do so, they created a set of weighted points so that providers reporting outcomes would get extra points, for example, for a recognized outcome with a hard-to-serve student. Intuitively this makes sense, but in the end, the "weighted points" system in Florida led to a difficulty in interpreting actual student outcomes, as student barriers increased the weight of the performance points for achieving small gains.

For example, two students receiving their GED might be earning two different scores in performance points, based on their barriers to achieving that goal. The result is that a high number of performance points do not always correlate to a large number of individuals who attained the stated goals of the programs, because programs can accumulate a larger number of points for service to students with multiple barriers. This makes it a complex task to judge performance across programs as well as to identify how many unique individuals have benefited from the state's system of ABE.

### **Performance Is Only Part of the Equation**

Systems that award funding based on prior year's performance risk increasing funds to shrinking programs and overlooking demographic changes which increase demand and place added strain on programs in exactly those locations that need more services due to growing numbers of undereducated, low-skilled adults such as areas with high numbers of new immigrants and corresponding increasing demand for ESOL services.

### **Creating Planning Problems for Program Operators**

In Florida, the State's Council for Education Policy, Research and Improvement found that rewarding performance through funding interfered with program planning, as programs couldn't predict the value placed on performance points by the state formula each year. The more money states allocate in this way, the less able providers are to predict what they can get the following year.

### **Creating Administrative Burdens and New Costs**

Tying funding to accountability systems can place a heavy administrative burden on programs; limiting resources going directly to student supports. The California legislature rejected the use of PBF for state funds because of an anticipated hike in the cost of figuring it out year after year. Instead, they use a base formula based on attendance and instructor hours.

### **Neglecting the Range Of Issues Affecting Program Performance**

Any accountability system will neglect some of the key issues affecting performance and outcomes at the program level. One program operator noted that in this past year, her students achievement numbers (in terms of level completion) were about half that of the year prior. The reason, she theorized, was that the program had experienced a large staff turnover. Exit interviews with staff indicated that low salaries were the primary reason for their departure, not just from her program, but from the field of adult education all together. As a result, this very high quality program may be showing poor outcomes as a direct result of the rate system, rather than as a result of the overall quality of the educational program.

## VI. Recommendations

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The challenges in shifting funds to an accountability based allocation system are multi-layered. Though this type of shift is often connected at a state level to a drive toward increased quality in services for learners, it is common among program operators to resist the changes based on anxiety about their program's ability to deliver results and/or their belief that these systems undermine learner-centered practice. Here is an explanation by a provider in South Dakota who decided to forgo public funding as a result of a shift toward performance based funding requirements:

We feel our program *is* accountable -- to our learners. They know/can see what they have learned. They know what their learning challenges or disabilities are. They are meeting their personal life skill goals. And they don't have any need or desire to know a grade level. All of these comments came straight from our New Reader advisory committee at the point we decided the federal trickle-down funding was not worth our program's new registrants leaving us before we even get them into a match with a volunteer. Their feelings counted.

**This idea that learners don't benefit from performance based funding can prevent providers from being active partners in a state shift to use of accountability systems.** This means that the challenge for Massachusetts is to develop an accountability system that is clearly accountable *both* to learners and the myriad other audiences (lawmakers, funders, taxpayers) who demand more accountability for outcomes as evidence of smart spending.

Steven Klein, an MPR Associates researcher currently studying performance based funding in adult education nationwide suggests that it is important to begin with the establishment of an advisory committee to review options and make initial steps to help providers see the value of the data in improving their services to learners. Working from a shared framework of learner-centered practice, accountability systems can help programs better meet their own goals while also enabling the state to meet its public policy goals and potential mandates.

Klein also offers guidelines for the development of these systems. He recommends that they aim to be

- ◆ Simple (for example, using only NRS core measures – already collected)
- ◆ Transparent (enable programs to know what they will get, what others get and why)
- ◆ Equitable (adjust for large/small programs for example)
- ◆ Audited (monitor for data quality, compliance)

In addition, Luanne Teller, a program operator with a passion for using her data as part of continuous improvement efforts, added that it would be tremendously valuable to programs to gain access to even small amounts of unrestricted funding. She noted that her program is in need of whole-cloth curriculum revision, and estimated that \$10,000 would enable her to undertake a really important project. This kind of funding (performance based incentive funds given on un- or less-restrictive basis) would be a tremendous incentive to program operators who are running high performing programs. **The objective of instituting performance based funding should be to spur creativity and innovation in the field and reward exceptional results, rather than finding new ways to assess programs and hold them accountable.**

Some initial ideas for putting these principles into operation, generated from the literature review, interviews and conversations with the MCAE team of consultants include:

**Create an Advisory Group to help develop performance based funding systems for MA.**

Program operators, national experts and researchers, as well as others have a stake in the development of the system. The state should move slowly and with the advice and input of as many users and affected groups as possible. Key issues for the advisory group might include:

- ◆ How to ensure that performance based funding creates incentives, and isn't punitive
- ◆ The relationship of performance measures to current rate system, NRS, and EFF
- ◆ How to monitor performance across diverse programs
- ◆ How to ensure fair assessments of outcomes across diverse programs

Maine piloted performance based funding and is revising the formula based on feedback from practitioners in every county of the state. Results from their work will be available within a few months.

**Use a tiered system of base plus incentive funding with decreasing restrictions on incentive funds for high performing programs. Let high performers have more freedom.**

Create incentive funding programs rather than using performance to drive base funding. Some states have created a two- or three-tier approach, with most funding allocated on the basis of need (the number of adults who need adult education services in the program's target area), and a second level of funding allocated to programs who meet performance standards and targets. Finally, a third level of incentive funding is made available to programs who exceed such targets and/or who demonstrate other exceptional performance in line with state objectives. Restrictions on how the funding is spent should decrease up the tiers; that is, base funding could remain tied to the rate system, performance funding could be less restrictive and incentive funding could be block granted.

One program operator described this approach as "ideal. It would enable the state to trust us to use the money for what our programs really need- to respond to the individual needs of our students and our staff, and to find the best ways to solve our own problems once we've demonstrated a baseline of quality."

Indiana has a tiered model as described here, and devotes approximately 5% of total state and federal funding to grant programs tied to performance. One observer noted that "Though it's only about 5% of our funding, it feels like 90% because it's flexible."

**The funding which is distributed based on performance and outcomes should be a small percentage of the overall state investment in adult education.**

While performance based funding offers opportunities to support creativity and flexibility at the program level, it is important to maintain a stable base of funding for programs which are new, emerging, striving and/or serving learner needs but not achieving outcomes which are reimbursable under the typical performance based system. By maintaining a base of funding sufficient to keep the existing DOE programs afloat, and then adding additional funds on an incentive program, the system will retain the quality built up to date, and inspire/reward exceptional performance.

**Keep the measurements and performance criteria simple and easy to understand.**

Programs already report on most of the outcomes that any performance based system would use for assessment. A small number of outcomes should be selected, and they should be simple to verify (e.g. NRS Core Measures) to ensure that programs understand the criteria upon which they will be assessed and to ensure that they perceive the system to be fair in determining success.

Barb Van Horn, Co-Director, Institute for the Study of Adult Literacy and Goodling Institute for Research in Family Literacy at the College of Education, Penn State University notes that some

state systems are so complex that programs cannot understand the formulas and don't know what they'll get for funding, or why they got what they did. This surely undermines the ability of programs to use the data for program improvements as it leaves confusion about what the goals of the performance systems are, and what success is.

Though the NRS core measures are imperfect and may not accurately reflect learner goals, they have the advantage of being easy to verify and simple to understand. Assuming that performance based funding is a relatively small part of program's overall funding using these measures to establish who is eligible for performance based funding makes sense.

#### **Make allowances for smaller programs**

Indiana programs are assessed both on the raw number of outcomes they have reported, as well as the percentage of learners within the overall program who made progress. This enables smaller, high quality programs to show their true results even when the raw numbers of outcomes may be few.

In Maine, where performance based funding has been piloted and is expected to be refined for statewide use next year, programs serving under 100 learners received more funding per learner than larger programs on the belief that it just costs more for small programs to operate. This is an imperfect solution if it results in programs avoiding growth to preserve revenue, so should be considered in conjunction with other incentives to serve at full capacity and maybe to grow services when possible. The larger point is that a fair formula should not obscure the obvious cost burden differences between large and small programs.

#### **Make allowances for lower level learners**

Since it is among the most feared impacts of performance based funding, it is important that the performance based funding strategy provides incentives and help for programs serving lower-level learners. Maine reserves 80% of all performance based funding to be awarded on the basis of serving lower level learners, and sets aside 20% for high school credential type outcomes.

#### **Set performance goals that are reality-based, practitioner informed.**

ABE consultant David Rosen notes that OVAE sets its own benchmarks for national progress, a process which should be replicated at the state and local levels. Programs in early phases of this project should be encouraged to propose to ACLS what the proper benchmarks are based on their past performance and their local program goals, rather than on formulas established at the state level. These goals could be negotiated within a range set by ACLS for different types of programs and in different regions of the state.

In addition, the state should examine how EFF standards and assessment tools might help to meet some of the other goals of the performance based funding system.

## **VII. Questions for Further Research (and Experiments?)**

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There are many areas in which further research would help the development of any performance based funding system in Massachusetts. Some questions raised, but not answered, by this work include:

- ◆ How can weighting of educational gains (or even recruitment/service) among lower level students help to balance a performance system and provide incentives to serve even the hardest-to-serve students?
- ◆ How can assessments of skills beyond the NRS core measures be incorporated to the benefit of funders, learners, and programs?
- ◆ What does this kind of funding mean for new or expanding programs?<sup>10</sup>
- ◆ How do changing assessment tools affect the data upon which programs are assessed for performance?
- ◆ How does the change in focus to performance affect teachers? Does it affect their working conditions? Staff retention? Do any of the presumed benefits (increased flexibility and room to work creatively) matter to teachers?

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<sup>10</sup> In Maine, programs with no track record are encouraged to estimate what outcomes they can obtain. They are held accountable for these in year 2 of their funding and must revised budgets and anticipated outcomes in light of their actual, not predicted, performance. This is to ensure that the system supports the emergence of new programs where possible and needed.

## VIII. Sources

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**VIII. Attachments**

**Attachment A: ACLS Countable Outcomes Based Upon Learner Declared Goals**

A: Measures Requiring Valid & Reliable Data/Documentation	B: Measures Requiring Valid & Reliable Documentation	C: Items requiring student self-reporting and teacher verification
<ol style="list-style-type: none"> <li>1.               <ol style="list-style-type: none"> <li>a. Obtain GED (WIA)</li> <li>b. Obtain ADP/EDP (WIA)</li> </ol> </li> <li>2.               <ol style="list-style-type: none"> <li>a. Enter training (WIA)</li> <li>b. Retain training (WIA)</li> <li>c. Complete training (PAWG)</li> </ol> </li> <li>3.               <ol style="list-style-type: none"> <li>a. Enter transitional education (WIA)</li> <li>b. Retain transitional education (WIA)</li> <li>c. Complete transitional education (PAWG)</li> </ol> </li> <li>4.               <ol style="list-style-type: none"> <li>a. Enter post secondary education (WIA)</li> <li>b. Retain post secondary education (WIA)</li> </ol> </li> <li>5.               <ol style="list-style-type: none"> <li>a. Enter employment (WIA)</li> <li>b. Retain employment (WIA)</li> <li>c. Increase earnings (Gov's Task Force)</li> </ol> </li> <li>6. Read, write, do mathematical problem-solving with child, and/or help child with homework (PAWG)</li> <li>7. Attain citizenship (PAWG)               <ol style="list-style-type: none"> <li>a. Receipt of application</li> <li>b. Notice of citizenship Interview</li> <li>c. Pass exam</li> <li>d. Receive certificate</li> </ol> </li> </ol>	<ol style="list-style-type: none"> <li>1. Self-Advocacy               <ol style="list-style-type: none"> <li>a. Get a driver's license</li> <li>b. Get and use a library card</li> <li>c. Register to vote</li> <li>d. Vote in federal, state, or local elections</li> <li>e. Locate and/or use community agencies or services</li> <li>f. Participate in community activities</li> <li>g. Obtain more satisfying/ appropriate employment</li> <li>h. Get industry-related certificate</li> <li>i. Attain legal residency</li> </ol> </li> <li>2. Financial Literacy Gain               <ol style="list-style-type: none"> <li>a. Open a checking/savings account</li> <li>b. Obtain stable housing</li> <li>c. Buy a domicile</li> </ol> </li> </ol>	<p><b>Student Goals Not Listed in Columns A or B</b></p> <ol style="list-style-type: none"> <li>1. Economic               <ol style="list-style-type: none"> <li>a. Retain current job by meeting new requirements</li> <li>b. Be removed from public assistance</li> </ol> </li> <li>2. Educational               <ol style="list-style-type: none"> <li>a. Increase computer literacy skills</li> </ol> </li> <li>3. Health               <ol style="list-style-type: none"> <li>a. Quit smoking</li> <li>b. Improve personal health</li> </ol> </li> <li>4. Parenting/Family Literacy Learning               <ol style="list-style-type: none"> <li>a. Increase participation in school activities</li> <li>b. Join an organization at your child's school</li> <li>c. Have greater involvement in child's schooling</li> <li>d. Improve family communication</li> </ol> </li> <li>5. Societal               <ol style="list-style-type: none"> <li>a. Enhance household management skills</li> <li>b. Enhance financial management skills</li> <li>c. Reconnect/reintegrate to community after institutionalization</li> <li>d. Learn about U.S. culture</li> <li>e. Enter military</li> </ol> </li> </ol>

**Attachment B: NRS Outcome Measures / Core and Secondary**

TOPIC	MEASURES	CATEGORIES OR DEFINITIONS
<b>Core Outcome Measures</b>		
<b>Educational gains</b>	❖ Educational gains	❖ Educational functioning levels in reading, writing, speaking, and listening and functional areas
<b>Followup measures</b>	❖ Entered employment	❖ Learners who obtain a job by the end of the first quarter after the exit quarter
	❖ Retained employment	❖ Learners who obtain a job and remain employed in the third quarter after program exit
	❖ Receipt of secondary school diploma or GED	❖ Learners who obtain a GED, secondary school diploma, or recognized equivalent after exit.
	❖ Placement in postsecondary education or training	❖ Learners enrolling after exit in a postsecondary educational or occupational skills program building on prior services or training received
<b>Core Descriptive and Participation Measures</b>		
<b>Demographics</b>	❖ Ethnicity	❖ American Indian or Alaskan Native, Asian, Native Hawaiian or Pacific Islander, Black or African American (non-Hispanic), Hispanic or Latino, White (non-Hispanic)
	❖ Gender	❖ Male, female
	❖ Age	❖ Date of birth
<b>Status and goals</b>	❖ Labor force status	❖ Employed, not employed, not in labor force
	❖ Public assistance status	❖ Receiving or not receiving assistance
	❖ Rural residency	❖ Rural, not rural
	❖ Disability status	❖ Disabled, not disabled
	❖ Learner's main and secondary reasons or goals for attending	❖ Obtain a job, retain current job, improve current job, earn a secondary school diploma or GED, enter postsecondary education or training, improve basic literacy skills, improve English language skills, citizenship, work-based project learner goal, other personal goals

TOPIC	MEASURES	CATEGORIES OR DEFINITIONS
<b>Student participation</b>	<ul style="list-style-type: none"> <li>❖ Contact hours</li> <li>❖ Program enrollment type</li> </ul>	<ul style="list-style-type: none"> <li>❖ Number of hours of instructional activity</li> <li>❖ ABE, ASE,ESL, family literacy, workplace programs, homeless programs, correctional facilities, community corrections programs, other institutional programs</li> </ul>
<b>Secondary Outcome and Student Status Measures (Optional)</b>		
<b>Employment</b>	<ul style="list-style-type: none"> <li>❖ Reduction in receipt of public assistance</li> </ul>	<ul style="list-style-type: none"> <li>❖ Students whose welfare benefits or equivalent public assistance grant is reduced or eliminated due to employment</li> </ul>
<b>Work-based project learner achievement</b>	<ul style="list-style-type: none"> <li>❖ Met work-based project learner goal</li> </ul>	<ul style="list-style-type: none"> <li>❖ Achieved skills for work-based project learner activity (activity of at least 12 hours and no more than 30 hours of instruction related to a teach specific workplace skills)</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>❖ Achieved citizenship skills</li> <li>❖ Voting behavior</li> <li>❖ General involvement in community activities</li> </ul>	<ul style="list-style-type: none"> <li>❖ Achieve the skills needed to pass the citizenship exam</li> <li>❖ Learner registers to vote or votes for the first time</li> <li>❖ Learner increases involvement in community activities</li> </ul>
<b>Family</b>	<ul style="list-style-type: none"> <li>❖ Involvement in children's education</li> <li>❖ Involvement in children's literacy-related activities</li> </ul>	<ul style="list-style-type: none"> <li>❖ Learner increases help given for children's school work, contact with teachers to discuss education, and involvement in children's school</li> <li>❖ Learner increases the amount read to children, visits libraries, or purchases books or magazines for children</li> </ul>
<b>Student status</b>	<ul style="list-style-type: none"> <li>❖ Low-income status</li> <li>❖ Displaced homemaker</li> <li>❖ Single-parent status</li> <li>❖ Dislocated worker</li> <li>❖ Learning disabled adult</li> </ul>	<ul style="list-style-type: none"> <li>❖ Low income, not low income</li> <li>❖ Displaced homemaker, not displaced homemaker</li> <li>❖ Single parent, not single parent</li> <li>❖ Dislocated worker, not dislocated worker</li> <li>❖ Learning disabled, not learning disabled</li> </ul>

**Attachment C: Equipped for the Future Standards**

Assessment tools are available and correlate progress to NRS core measures. See [http://eff.cls.utk.edu/PDF/RWU\\_Assessment.pdf](http://eff.cls.utk.edu/PDF/RWU_Assessment.pdf) for more.

## EFF Standards Wheel



**Attachment D: Summary of Selected State Funding Formulas**

*Performance Based Funding in Adult Basic Education:  
Opportunities and Challenges for Massachusetts  
At the Intersection of Program Accountability and Funding by Elizabeth O'Connor*

<b>State</b>	<b>Funding Formula (Federal)</b>	<b>Funding Formula (State)</b>	<b>Performance Criteria</b>
CA	100% on performance criteria. Awards are 60% of prior year funding to support start up, and remaining allocations made after the analysis of final data from past year.	100% is base funding, determined by average daily attendance and/or FTEs.	Educational gain Program/course completion GED/diploma attainment Maintaining student data Pre- and post- testing
FL	Florida combines state and federal funding and uses one formula to allocate the entire budget. Providers are guaranteed 90% of prior year funding, and must demonstrate outcomes to earn the remaining 10%. Performance is determined by the number of points a provider gets for specific outcomes as compared to the number of points earned by other programs across the state.		Program/course completion Entered employment
IL	Federal funds are used for base funding, allocated on the basis of need (regional), program size (allowances made for higher costs of smaller programs), excellence awards, and instructional levels, student enrollment	21% of total state funding is distributed on a formula using performance criteria. Performance is determined by meeting benchmarks, which are established as continuous improvement on performance indicators, averaged over three years. Additional incentive funding is available for programs which exceed their benchmarks.	Program/course completion GED/diploma attainment
IN	All federal funds are base grants. Programs receive 90% of their prior year funding, plus additional funds on the basis of number of specific outcomes (see Performance Criteria). Incentive grants also available on a competitive basis for programs which meet the performance standards.	Base grants of 90% of expenditures/schools budget. Additional funds, when available, are allocated on the basis of enrollments.	Program/course completion Entered/retained employment GED/diploma attainment Entered post-secondary ed/training Other secondary measures <sup>11</sup>
KS	100% on performance criteria, distributed based on performance as compared to other programs across the state (achieving 3% of the statewide outcomes results in gaining 3% of state funding).	50% as base, 50% on performance. Base funds are evenly divided across all funded programs. Remaining funds are distributed based on performance as compared to other programs across the state (achieving 3% of the statewide outcomes results in gaining 3% of state funding).	Educational gain Enrollment of targeted students Data quality/technology use Maintaining student data Cost effectiveness, effective practice, local financial support, professional development.
<b>State</b>	<b>Funding Formula (Federal)</b>	<b>Funding Formula (State)</b>	<b>Performance Criteria</b>
KY	Kentucky merges its state and federal funding. It allocates base grants by county; with each county		Program/course completion

<sup>11</sup> Achieved work-based project learning goal, left public assistance, achieved citizenship skills, increased involvement in children's education, voted/registered to vote, increased community involvement.

	getting a grant based on the number of low-literacy residents. Incentive grants (7% of total state/federal funding) are available on performance criteria for programs that meet or exceed enrollment goals and performance measures (at least 50% of the NRS indicators across 15 performance areas.)		GED/diploma attainment Postsecondary placement Entered/retained employment
ME	100% on performance; formula in pilot phases now. 80% is reserved for service to lower level learners and 20% is set aside for GED level outcomes.	100% based on need, demographics, etc.	
MI	Federal funds are distributed across Workforce Development Board areas, roughly 1/3 of funds on each of the following criteria: proportion of caseload relative to state, # of residents lacking high school credential, and proportion of non-native speakers of English relative to state.	90% based on enrollments, and 10% of state funding allocated on performance criteria based on past year's performance and reported outcomes.	Program/course completion GED/diploma attainment
MO	Most state and federal dollars are allocated on the basis of contact hours, with 13% of total funding reserved to be awarded on the basis of performance on outcomes. Performance outcomes are rewarded with a specific dollar amount (e.g. a student completing Level 2 ESOL earns \$175 for the program).		Program/course completion GED/diploma attainment
OH	Federal and state dollars are combined to provide base grants on census data, and supplemental grants are available on performance criteria which include both learner outcomes and administrative compliance. 1% of total federal dollars are used for incentives/performance grants.		Educational gain Program/course completion GED/diploma attainment Postsecondary placement Entered employment

Sources: MPR Associates, and Becky Dyer, ME ABE Director

