



# Performance-Based Funding in Adult Education System Design and Implementation Issues

**Steve Klein**  
MPR ASSOCIATES, INC.

**Garland Hankins**  
FORMER STATE DIRECTOR  
ARKANSAS

National Conference of State  
Directors of Adult Education

Bethesda, Maryland  
November 15, 2006



# What is Performance-Based Funding?

- Performance-based funding (PBF) systems are used in adult education to distribute federal and/or state resources to local programs.
  - Basic Grant
  - Performance award
- States have adopted PBF in response to accountability provisions contained in federal legislation.
  - Workforce Investment Act of 1998 (WIA)
  - National Reporting System for Adult Education (NRS)



# Performance-Based Funding Study

- Purpose

- To help state policymakers make more informed decisions in designing and implementing funding formulas to distribute resources to adult education providers.

- Activities

- Literature review to document PBF resource distribution approaches in higher education and adult education programs.
- Case study site visits to 3 representative states using different approaches to distribute federal and/or state resources.
  - Interview state directors, state agency staff, & program directors
  - Standardized protocol to collect data
  - Qualitative software to code and analyze transcripts
- Cross-case analysis summarizing common themes across states and assessing strengths and weaknesses of different funding approaches.



# Overview

- Rationale for System Adoption
  - Why was PBF introduced?
- Formula Design Process
  - Who participated in system design and what state goals guided development?
- Critical Elements in System Design
  - How were state funding systems created?
- System Effects
  - How has PBF affected local providers and the attainment of state goals?



# State Funding Models

Table A: Characteristics of State Performance Funding System: FY05

	Indiana	Kansas	Missouri
Adult Education Funding	\$21,055,280	\$4,458,990	\$12,040,787
Number of Providers	43	31	44
Community Colleges	1	17	10
Secondary Districts	41	11	31
Other	1	3	3
Percent Resources Allocated using PBF			
Total	5%	88%	19%
Federal	15%	100%	22%
State	0%	50%	10%
Performance Measures			
Core NRS*	15	15	12
Secondary NRS	7	3	0
Process Indicators	0	25	0
Incentive Funding	15	0	0

\* Includes 11 submeasures of educational gain in ABE, ASE, and ESL programs.



# Rationale for System Adoption

- Reasons for Implementation
  - Address federal accountability requirements contained in AEFLA
    - Attain NRS core and secondary measures
    - Qualify for WIA incentive funding
  - Remedy perceived difficulties with existing state formula
    - Increase formula transparency
    - Remove contact-hour based funding
    - Gain political support
  
- State Goals
  - Equity
  - Efficiency
  - Accountability
  - Program Improvement



# Formula Design Process

- State Director Initiated
  - No external pressure to develop PBF system
  - Director provides leadership and direction
- Providers are Involved in Formula Design
  - Advisory Council steers formula construction
  - Council members representative of state providers
    - Provider type (i.e., LEA, CC, CBO)
    - Program type (i.e., ABE, ESL, GED)
    - Provider size
    - Provider location
    - Learner demographics



# Critical Elements in System Design

- Selecting a Funding Model
  - Identify funding amounts
    - Determine source of performance funds (federal/state)
    - Amount of resources committed to performance funding
  - Define funding strategy
    - Learner outcomes
    - Process indicators
    - Performance incentives
  - Assess state capacity to support implementation
- Constructing a Funding Formula
  - Select performance measures
    - NRS core measures
    - NRS secondary measures
    - Other state measures
  - Consider weighting performance outcomes



# Formula Weighting

Table B: Missouri Performance Outcome Rates, by Educational Functioning Level

Level	FY02	FY03 to Present
AEL Level 1	\$ 150	\$ 200
AEL Level 2	\$ 100	\$ 150
AEL Level 3-5	\$ 50	\$ 75
GED	\$ 150	\$ 150
ESL Level 1	—	\$ 250
ESL Level 2	—	\$ 175
ESL Level 3-5	—	\$ 100

Source: Missouri Department of Elementary and Secondary Education.



# Critical Elements in System Design (continued)

- Linking Outcome Data to Resource Allocations
  - Consider state and provider capacity to collect data
  - Determine timing of data collection (i.e., lag between when outcomes recorded and performance funding allocated)
- Modeling Provider Allocations
  - Assess funding scenarios under differing assumptions
- Insulating Providers from Funding Decreases
  - Use of hold-harmless provisions
  - Release of held-back federal funding
  - Addition of state resources to adult education system



# Critical Elements in System Design (continued)

- Assessing Provider Reporting Capacity
  - Capability to report accurate information
  - Ability to collect specified outcome data using state management information system
  - Need for technical assistance
- Reviewing State Data Audit Capacity
  - Ability to validate provider reported information



# System Effects

- Data Quality
  - Program directors more likely to review data prior to submission
  - Instructors pay increased attention to testing methodology
- System Effectiveness
  - Providers use data for program improvement purposes
  - Improved state performance on NRS measures
- Political Support
  - Increased credibility among state legislators and the public



# System Effects (continued)

- Teacher Professionalism
  - Instructors held accountable for their learners' performance
  - Supports removal of incompetent instructors or those unwilling to change
  - Motivates programs to invest in staff development



## For More Information Contact:

Dan Miller  
OVAE, DAEL  
550 12<sup>th</sup> Street, SW  
Washington, DC 20065  
202-245-7731  
Daniel.Miller@ed.gov

Kathy Chernus  
MPR Associates, Inc.  
2401 Pennsylvania Ave, NW,  
Suite 410  
Washington, DC 20037  
202-478-1027  
kchernus@mprinc.com