



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

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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



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