



Performance-based Funding for CTE

A New Tool to Leverage Accountability and Innovation

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Session Overview

- Introduction to performance-based funding
- Rationale for system adoption
- Formula allocation components
- Benefits and challenges
- Guiding principles
- Steps in PBF system development

\$ What is Performance-Based Funding?

- Performance-based funding systems allocate resources based on local provider outcomes
 - Providers who meet or exceed state-established performance thresholds are rewarded, typically with additional resources.
 - Providers who fall short may face sanctions that include loss of funding in subsequent years.
- Performance funding systems have evolved over time
 - Outgrowth of accountability systems development
 - First introduced in higher education
 - Gaining increased acceptance in adult education



Rationale for Performance-Based Funding

- Equity
 - Fair share based on need and demand
- Accountability
 - Increased emphasis on performance
- Program improvement
 - Tangible “driver” or incentive to improve program operations



To spur creativity and innovation and
reward exceptional results

\$ Formula Allocation Components

Base Funding

Guaranteed resources allocated to providers irrespective of their program performance or relative success in achieving learner outcomes

- Enrollment
- Number of individuals living in poverty

Performance-based Funding

Resources allocated to providers that achieve state-defined targets

- Number of Perkins outcomes achieved
- Number of negotiated local performance targets achieved
- Other state-defined criteria

\$ Benefits of Performance-Based Funding

- Data quality
 - Fiscal incentive to review accuracy and completeness of data
- System effectiveness
 - Improve local and statewide performance
 - Align program incentives with statewide goals
- Political support
 - Bolsters credibility among state legislators and the public
 - Increases willingness to fund programs
- Instructor professionalism
 - Prompt training to address identified weaknesses
 - Hold instructors accountable for program outcomes



Potential Challenges

- Shifts established state funding patterns
 - Can lead to funding changes among providers
 - May require additional resources to offset provider losses
- Introduces uncertainty
 - Can raise concern or ire of provider staff
 - Providers may be reluctant to accept funding shifts in exchange for improved statewide system
- Increases workload
 - Requires investment of time for planning and adoption
 - May have to re-align state policies and practices to support system implementation
- Requires consistent and high quality data to allocate resources



Guiding Principles

- Simple
 - Use existing program data
- Transparent
 - Be clear about how funding is allocated and why
- Equitable
 - Adjust for appropriate provider characteristics
- Purposeful
 - Formula operation should promote state goals
- Defensible
 - Data must be auditable

Steps in Building a Performance-based Funding System

- Establish state commitment to PBF adoption
- Convene state taskforce
- Specify state funding goals and priorities
- Define criteria for allocating resources
- Identify appropriate data sources
- Model alternative funding formulas
- Design implementation strategies



Additional Formula Considerations

- Should performance measures be differentially weighted?
- Should providers be insulated from substantial shifts in their annual funding eligibility?
- Should implementation ramp-up over time?
- Should providers who fail to improve be sanctioned?