



# Performance-based Funding for CTE

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## A New Tool to Leverage Accountability and Innovation

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# Session Overview

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- 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

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- 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

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- 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

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- 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?