

Performance-Based Funding In Adult Education

Literature Review and
Theoretical Framework



This page intentionally left blank.



Performance-Based Funding In Adult Education

Literature Review and Theoretical Framework

SUBMITTED BY

Steven Klein

MPR Associates

2150 Shattuck Avenue

Suite 800

Berkeley, CA 94704

Contact: sklein@mprinc.com

SEPTEMBER 2005

PREPARED FOR

U.S. Department of Education

Office of Vocational and Adult Education

Division of Adult Education and Literacy

This page intentionally left blank.



Foreword



MPR Associates would like to thank representatives of the 10 states contacted for this study for their support, cooperation, and patience.

Data presented in this report represent the most current information available at the time this study was conducted. As project work continues, it is likely that researchers will need to modify or update data and/or the conceptual and theoretical frameworks to reflect the continuing evolution of state funding systems.

This page intentionally left blank.



Executive Summary

The Adult Education and Family Literacy Act (AEFLA), Title II of the Workforce Investment Act of 1998, requires states to establish a comprehensive performance accountability system to assess the effectiveness of eligible agencies in making continuous improvement in their adult education and literacy activities. To motivate local adult education providers to improve the quality and effectiveness of their programs and services, some states are adopting performance-based funding systems to allocate federal and/or state adult education resources.

To gain a better understanding of how these systems operate, the Office of Vocational and Adult Education (OVAE) has commissioned a study of adult education fiscal policies in states using performance-based funding to allocate program resources. This literature review summarizes existing research on performance-based funding to identify issues that can inform the development of a theoretical framework to guide subsequent study activities.

Due to similarities between the adult and postsecondary education sectors—which include common sources of program funding, educational orientation, and accountability goals—this review draws on the higher education literature to explore the rationale for introducing these systems, processes used to design and implement allocation formulas, and lessons learned over time. This paper also summarizes how performance-based funding systems are applied in adult education and, where appropriate, provides examples of state systems to illustrate the mechanics of formula operation. The paper concludes with a theoretical framework and conceptual model—derived from the analysis of the literature and overview of state systems—outlining the primary research questions that will guide study activities.

REVIEW FINDINGS

A review of the higher education finance literature indicates that as of 2003, 15 states were using some form of a performance-based funding system to allocate resources among higher education institutions. This total is down from 2002, when 18 states employed performance-based funding. It has been suggested that the recent economic recession, which reduced state resources used to make performance awards, played a role in states' decisions to discontinue use of these systems.

Although state funding approaches vary somewhat in their mechanism for distributing funds, each links state budget allocations to institutional performance, and each is intended to motivate higher education institutions to improve their performance to qualify for additional resources. Other general findings include:

- Although state policymakers initially spearheaded the introduction of performance-based funding, system development is more collaborative today, with state education leaders and faculty more likely to be engaged in the design process. However, not all postsecondary educators welcome the use of these systems.
- States use multiple indicators to track institutional outcomes, with most states employing between 8 and 15 performance factors.
- States generally allocate only a small percentage of their higher education funding using performance criteria, with most limiting funding to 1 to 4 percent of total state resources.
- Performance-based funding systems require local providers to collect state-specified data on individual outcomes and institutional operations. Standardizing reporting can shift some costs onto local providers, although there is evidence that many of these costs may be limited to the start-up phase.
- Performance-based funding appears to offer some educational benefits, although research-based evidence is limited in the literature. In general, poor communication of performance results from state agencies to postsecondary institutions presents a significant obstacle to system acceptance.

A review of state allocation approaches in adult education suggests that states are allocating performance-based funds using a variety of approaches. “Performance” is assessed by a state by measuring desirable effects of programs, including learner outcomes or other administrative or programmatic outcomes (e.g., intensity of services, pre- and post-test matches, enrollment, etc.). Performance on defined factors determines how much money a provider receives, and may result in additional funds being added to a program (incentives) and/or funds being deducted from a previous year’s funding (sanctions).

General findings from the review of state approaches include:

- Performance-based funding systems in adult education are intended to increase the accountability and effectiveness of local providers, with state adult education staff taking primary responsibility for system introduction.
- States often employ multiple measures to assess provider performance, although there is some degree of overlap across states due to the use of a common core of measures contained in the National Reporting System for Adult Education (NRS).

- The amount of funding awarded using performance criteria varies across states studied, with most allocating less than 20 percent of total state and federal adult education resources based on provider outcomes.

Although phone interviews with state personnel provided basic information on system operation, there is still a considerable amount of information that remains to be collected. In particular, this study identified four overarching research questions that build upon and extend issues identified in the literature review and analysis of state adult education funding approaches. These questions include:

- Why have states decided to adopt performance-based funding systems?
- How have performance-based funding systems been designed at the state level?
- How have performance-based funding systems been implemented at the state level?
- What effect have performance-based funding systems had on the attainment of state-identified performance goals and the delivery of services?

To gather this information, research team members will visit three states with a history of employing performance-based funding in adult education to collect information on effective approaches for structuring performance-based funding systems. Cross-case analysis of case study findings will be used to identify common themes across state systems and the strengths and weaknesses of different funding approaches. The final product of this work will be a report summarizing the lessons learned by state administrators in adopting performance-based funding, strategies designed to support effective development and implementation of these systems, and challenges to system use common across states and unique to specific funding approaches.

This page intentionally left blank.



Contents

Foreword	iii
Executive Summary	v
List of Tables and Figures	xi
Introduction	1
Section 1—Purpose of the Study	3
Section 2—Data Collection Methodology	5
Sources: State Interviews	5
Sources: Search Strategies	5
Section 3—Performance-Based Funding Literature Review	7
Origins of Performance-Based Funding in Higher Education	8
State Higher Education Performance-Based Funding Systems	10
Implementing Higher Education Performance Funding Systems	11
Lessons Learned From Higher Education	14
Section 4—Performance-Based Funding in Adult Education	17
Federal and State Allocations for Adult Education	17
State Approaches to Performance-Based Funding	19
Selecting Performance Indicators	25
Section 5—Theoretical Framework	27
The Rationale for System Development	27
Designing Performance-Based Funding Systems	29
Implementing Performance-Based Funding Systems	30
The Effect of Performance-Based Funding on Providers	31
Development of Research Questions	32
Next Steps	32
Bibliography	35
Appendix A—Summaries of State Funding Formulas	45
California	46
Florida	48
Illinois	51
Indiana	53
Kansas	56

Kentucky	59
Michigan	61
Missouri	64
Ohio	67
Pennsylvania	69
Appendix B—Search Terms and Research Databases	75



List of Tables and Figures



Tables

Table 1 States with performance funding and performance budgeting systems:
2003 11

Table 2 Performance indicators ranked by frequency 12

Table 3 Dollar amount and percentage of state and federal adult education
resources allocated as base or performance funding: FY04 18

Table 4 Measures currently used to allocate state performance funds 25

Figures

Figure 1 Conceptual model of the rationale for system development and the
process used to design and implement performance-based funding
systems 28

Figure 2 Conceptual framework of preliminary theory to be tested through case
study analysis 33

This page intentionally left blank.



Introduction

Performance-based funding systems are used in adult education to distribute federal and state resources to local programs. Providers who meet or exceed state-established performance outcomes usually qualify for additional resources, while those who fall short may face sanctions that include funding reductions in subsequent years.

To gain a better understanding of how these systems operate, the Office of Vocational and Adult Education (OVAE) has commissioned a study of adult education fiscal policies in states using performance-based funding to allocate program resources. Qualitative and quantitative data collected during case study visits to three states will be analyzed using cross-case analytic techniques to identify trends across the states, common characteristics apparently leading to effective development and implementation of performance-based funding systems, and any national implications related to their use.

This literature review summarizes existing research on performance-based funding to identify issues that can inform the development of a theoretical framework to guide subsequent study activities. The proposed theoretical framework will address four overarching research questions that will build upon and extend issues identified in the literature review and synthesis of state adult education funding approaches. These questions include:

- ⦿ Why have states decided to adopt performance-based funding systems?
- ⦿ How have performance-based funding systems been designed at the state level?
- ⦿ How have performance-based funding systems been implemented at the state level?
- ⦿ What effect have performance-based funding systems had on the attainment of state-identified performance goals and the delivery of services?

To date, little has been published on the use of performance-based funding in adult education. Performance-based funding systems have, however, been used in other state contexts to allocate resources to public agencies and institutions. Because of similarities between the adult and postsecondary education sectors—including common sources of program funding, educational orientation, and accountability goals—this literature review focuses on performance-based funding in higher education. This includes the rationale for introducing these systems, processes used to design and implement allocation formulas, and lessons learned over time.

To support development of the theoretical framework, this paper also summarizes how performance-based funding systems are applied in adult education; where ap-

appropriate, examples of state systems are used to illustrate the mechanics of formula operation. The paper concludes with a theoretical framework and conceptual model—derived from the analysis of the literature and overview of state systems—outlining the primary research questions that will guide study activities.

Purpose of the Study

The Adult Education and Family Literacy Act (AEFLA), Title II of the Workforce Investment Act of 1998, requires states to establish a comprehensive performance accountability system to assess the effectiveness of eligible agencies in making continuous improvement in their adult education and literacy activities. To motivate local adult education providers to improve the quality and effectiveness of their programs and services, some states are adopting performance-based funding systems to allocate federal and/or state adult education resources. System development is still in its early stages, and little is known about how funds are allocated or the relative merits of different funding approaches.

The purpose of this study is to provide information to assist state policymakers in making more informed decisions when designing and implementing state allocation formulas to distribute federal and state resources to adult education and literacy service providers.

To accomplish this goal, researchers will carry out a number of study activities, including the following:

- ◉ Preparing this literature review to document performance-based resource distribution approaches in adult and higher education programs.
- ◉ Conducting case study site visits to three representative states using different approaches to distribute federal and/or state resources.
- ◉ Producing a cross-case analysis summarizing common themes across state systems and assessing the strengths and weaknesses of different funding approaches.

The final product of this effort will be a report summarizing the lessons learned by state administrators in adopting performance-based funding systems, strategies designed to support effective development and implementation of these systems, and challenges to system use common across states and unique to specific funding approaches.

This page intentionally left blank.

Data Collection Methodology

To collect background materials for the literature review, MPR researchers contacted state adult education administrators in a subset of states using performance-based funding to allocate state and federal adult education resources, and reviewed the literature on the application of performance-based funding in other settings. Given the similarities in state financing for adult and higher education, researchers focused on examining the evolution of performance-based funding systems in postsecondary education and the lessons learned following their introduction.

SOURCES: STATE INTERVIEWS

To profile state funding formulas, MPR researchers conducted phone interviews with adult education administrators in eight states—California, Florida, Illinois, Kansas, Kentucky, Michigan, Missouri, and Pennsylvania—that participated in an earlier OVAE-sponsored study of states using performance-based funding to allocate state resources. Administrators were asked to describe their current state funding formula and to describe any changes that had taken place since they were interviewed in 2002.

MPR researchers also contacted state administrators in two additional states—Indiana and Ohio—identified in the literature review as either having or beginning to introduce performance-based funding systems. State administrators in these states were asked to provide researchers with documentation of their current or proposed finance system.

Interview notes were summarized and shared with administrators in each participating state. Administrators were asked to review the description of their state funding approach and to make any necessary modifications to the text to ensure that it accurately captured the mechanics of formula operation. A copy of the interview protocol and the state summaries are included in Appendix A of this report.¹

SOURCES: SEARCH STRATEGIES

To analyze the literature on performance-based funding, MPR researchers conducted online searches of resources available over the Internet or cataloged in electronic databases maintained by the Education Resources Information Center (ERIC), sponsored by the Institute of Education Sciences (IES) of the U.S. Department of Education, and

¹ Eight of 10 states—California, Illinois, Indiana, Kansas, Kentucky, Missouri, Ohio, and Pennsylvania—returned edited copies of their state write-ups.

in academic databases maintained by EBSCO Publishing, including Academic Search Premier, Business Search Premier, and EconLit.

Researchers initiated searches using Boolean logic statements. Search “hits” ranged from as many as 15,700 for broadly specified terms, such as “performance-based funding,” to as few as 2 for compound terms, such as “performance-based funding” linked with “higher education.” A description of search terms and database hits is included in Appendix B.

During the second round of the search process, study titles were reviewed to assess their relevance to the topic; where appropriate, abstracts were collected to identify studies focusing on performance funding in general and performance-based funding in higher education in particular. Duplicate studies were discarded, as were papers with a primarily international focus. With some exception, reports and studies published before 1998 were discarded unless they were a seminal work or part of a longitudinal survey effort to quantify changes in state or higher education institutions’ use of performance-based funding.

This review process yielded a total of approximately 150 articles. In the third step of the review, research staff downloaded or ordered full-text copies of each article or book to assess their relevance to the study. Reports that were not applicable to the study or that repeated information in other papers were discarded. Approximately 70 papers were selected for inclusion in the final bibliography.

Performance-Based Funding Literature Review

Performance-based funding systems in adult education are used to distribute federal or state resources to local providers based on measurable, state-defined criteria of performance. These criteria, which may include learner, administrative, or other programmatic outcomes, are used to determine how much money a provider receives and, in some circumstances, whether funds should be added or deducted from a provider's operating budget.

A review of the literature offers limited insight into the design and application of performance-based funding in state adult education programs. Although all states have developed plans to comply with federal AEFLA reporting requirements, the content of these plans is generally limited to general descriptions of program services and assurances that state agencies and local providers will conform to the Act's provisions.

Further, with the exception of a handful of states that have convened state adult education funding task forces, it appears that few states have undertaken comprehensive evaluations of their state adult education funding formulas or have elected to share this information over the Internet.² Because of the limited number of resources available, researchers elected to expand the study's focus to include the use of performance-based funding in other contexts.

A preliminary review of the literature indicated that, beginning in the 1990s, performance-based funding systems increasingly have been integrated into state and federal government programs as a means of holding public agencies accountable for improving the quality, efficiency, and effectiveness of program services (Ingraham and Moynihan 2001). Although nearly all state agencies have been affected to some extent, parallels between adult education and higher education programs—including funding sources, educational orientation, and accountability goals—suggest that performance-based funding in higher education can offer useful examples to inform development of the theoretical framework for this study.

This section briefly summarizes the evolution of performance-based funding in state government in general, and higher education in particular, reviewing the rationale for introducing performance-based funding, the strategies used to develop and imple-

² Although telephone interviews with state administrators yielded important information on the structure of states' funding formulas, along with anecdotal observations on system design and implementation, these calls were not intended to take the place of a formal review of the literature. While administrator insights are incorporated in this paper, researchers did not attempt to use telephone discussions to conclusively document the evolution or outcomes of state systems; it is anticipated that this data collection will take place during case study site visits, following development of a theoretical framework to structure study activities.

ment funding formulas, and the benefits and drawbacks associated with their use. Where appropriate, gaps in the research base are also identified.

ORIGINS OF PERFORMANCE-BASED FUNDING IN HIGHER EDUCATION

Performance-based funding in higher education is the byproduct of a wider, nationwide movement to increase accountability in the operation of public sector agencies (Willoughby and Melkers 2001). The origin of this movement dates back to taxpayer

revolts—beginning with California’s Proposition 13 in 1978—that reduced public financing for government programs (Merrifield 1998). Declining tax revenues during the 1980s, coupled with state budget deficits and mandatory spending in many sectors, including healthcare, education, and welfare, led public officials to seek new strategies to demonstrate to the public whether or not government expenditures were producing their desired effect (Burke 2001).

One such strategy—*performance management*—held that government agencies could increase their effectiveness by setting performance goals for service delivery. This effort to blend private-sector planning and management concepts into public-sector governance entailed shifting local program oversight from traditional process-oriented, input-based compliance monitoring to more results-oriented, outcome-focused strategies (Blalock and Barnow 2001). The federal Government Performance and Results Act of 1993, which required federal agencies to clarify their missions and establish

Performance-Based Funding Terminology

Performance Indicator or Factor

A program input, process, or output used to assess institutional performance.

Performance Measure

The way that a performance indicator or factor is quantified.

Performance Management

A process used to track an agency’s progress in achieving defined goals that include tracking program efficiency, service quality, outcomes, and effectiveness.

Performance Reporting

A method of reporting that requires institutions to account for student or program outcomes, but with no fiscal link between performance and allocations.

Performance Budgeting

A budgeting process that uses agency performance as one factor in determining an institution’s resource allocation in the budgeting process.

Performance Funding

Funding that is directly linked to institutional performance; that is, the size of an institution’s resource eligibility is a function of its success in achieving specified goals.

SOURCES: Burke 2001; Willoughby and Melkers 2001; Blalock and Barnow 2001.

long-term strategic goals, was one manifestation of this evolving approach to accountability (Radin 2001).

Beginning in the late 1980s, state legislators began to institute management controls by introducing *performance reporting* systems to track the operation of publicly financed agencies. Under this approach, public agencies were required to report on a set of priority indicators identified by the state, although no fiscal consequences were attached to performance (Burke and Minassians 2003).

As performance reporting requirements were extended across state agencies, public college and university systems came under particular scrutiny, in part due to their rising operating costs and complaints about their operating efficiency (Noland, Davis, and McClendon 2000). Specifically, critics accused higher education institutions of retaining too few of those who enrolled, permitting students to take too long to complete their degrees, and graduating too many lacking the necessary skills for work in an increasingly competitive global marketplace. By 1994, roughly one-third of states had instituted some form of performance reporting system in higher education, although these systems had no fiscal consequences linked to outcomes (Ewell 1994).

Over the course of the 1990s, as state performance reporting indicators were refined and institutionalized, states were able to use higher education data to link campus performance directly to fiscal eligibility. This step marked a significant shift in the oversight of higher education. Before the introduction of performance reporting, higher education budgeting was largely input-driven, with funding based primarily on student enrollment and incremental cost. This traditional approach to budgeting, which ignored student outcomes, contributed to unchecked growth in state expenditures, institutional programs, and student enrollments (Burke 2002).

Legislators' newfound capacity to link institutional financing to performance—using a common set of indicators across state campuses—contributed to the restructuring of state higher education funding formulas. In these new state formulas, outcome-based criteria were more closely aligned with state educational priorities, which, in turn, helped drive institutional funding levels. These new higher education funding systems took two forms (Burke and Minassians 2003):

- ⊙ *Performance Budgeting Systems* that enable state governments or postsecondary coordinating boards to consider institutional performance as one factor when calculating resource eligibility. Funding levels are not directly linked to performance, however, meaning that institutional allocations can be unpredictable and discretionary.

- ⦿ *Performance Funding Systems* that directly link state allocations to institutional results. For each outcome achieved, an institution receives a specific amount of money predetermined by the state.

Although these funding approaches vary somewhat in their mechanism for distributing funds, each links state budget allocations to institutional performance, and each is intended to motivate higher education institutions to improve their performance to qualify for additional resources. However, due to the loose link between performance budgeting and resource allocation, it has been suggested that performance budgeting approaches may be less effective in motivating institutional responses, since educators are unable to see the link between outcomes and funding (Burke et al. 2000).

STATE HIGHER EDUCATION PERFORMANCE-BASED FUNDING SYSTEMS

The most current data on state higher education funding systems come from an annual survey of State Higher Education Finance Officers (SHEFOs) conducted by the Nelson A. Rockefeller Institute of Government. Results from the seventh annual survey in 2003 indicate that 46 states currently have some form of *performance reporting* in place, in part because state policymakers consider mandatory institutional reporting a “no cost” approach to accountability (Burke and Minassians 2003).³

Among states using some form of performance-oriented funding to allocate resources, 8 states used performance funding, 14 states performance budgeting, and 7 states a combination of performance funding and budgeting (see Table 1). These totals are down sharply from 2002. Between 2002 and 2003, three states dropped their use of performance funding and five states their use of performance budgeting to allocate state resources. These declines in use of performance-oriented funding systems were attributed to the recent recession, which reduced state resources used to make performance awards.

Continuing budget difficulties may not bode well for performance funding and budgeting systems. When asked to predict the likelihood of continuing their current systems, SHEFOs from five states—Maryland, Nebraska, Ohio, Oregon, and South Carolina—declined to predict the future of these systems. Evidence from prior survey years indicates that states declining to predict continued use of their performance-based funding or budgeting system were likely to discontinue the strategy.

³ States not using performance reporting in 2003 include Delaware, Nevada, New York, and Rhode Island.

Table 1**States with performance funding and performance budgeting systems: 2003**

<u>Performance Funding</u>	<u>Performance Budgeting</u>		<u>Both Performance Funding & Budgeting</u>
Colorado	California	Minnesota	Connecticut
New York ¹	Georgia	Mississippi	Florida
Ohio	Hawaii	Nebraska	Idaho
Oregon	Iowa	Nevada	Kansas
Pennsylvania	Maine	New Mexico	Louisiana
South Carolina	Maryland	Utah	Oklahoma
South Dakota	Michigan	Wisconsin	Texas
Tennessee ²			

¹ State university system only.

² Tennessee allocates funding to higher education institutions using a noncompetitive, incentive-based formula, in which institutions can qualify for bonus funding if they demonstrate exemplary performance in 10 selected assessment areas (State of Tennessee 2001). Few states have copied this approach, which relies on voluntary institutional improvement. Instead, most states have focused on the use of mandatory public accountability systems that fund institutions based on performance (Atkinson-Grosjean and Grosjean 2000).

SOURCE: Burke and Minassians 2003.

IMPLEMENTING HIGHER EDUCATION PERFORMANCE FUNDING SYSTEMS

Most early performance funding and budgeting systems were imposed legislatively, without input from postsecondary educators. State policymakers simply mandated system adoption and, in some cases, specified the type of measures to be used (Burke 2001). This one-sided approach to creating an accountability system initially raised the ire of higher education administrators, who struggled to retain their academic autonomy (Neal 1995). It has been suggested that legislators' failure to communicate with educators contributed to system failure: of five states that instituted and then dropped performance funding, four had mandated the policy and three had pre-scribed indicators (Burke 2001).⁴

Although the manner in which some state funding systems were introduced was controversial, performance-based funding approaches have since gained wide acceptance in the legislative community, with national policy organizations, including the National Governors Association and the Education Commission of the States, recom-

⁴ Unfortunately, the literature lacks information on the acceptance or effectiveness in other states that had mandated, but not dropped, performance-based funding systems.

mending that higher education funds be linked to state priorities and awarded based on institutional performance (Albright 1996).

State policymakers have also recognized the importance of working collaboratively with higher education leaders to build stakeholder support for new funding approaches (Burke 2001). Consequently, most state funding initiatives are now spearheaded by state higher education coordinating boards, which work collaboratively with state policymakers and campus leaders to align state goals with institutional missions. It is not clear, however, whether the involvement of higher education leaders today reflects institutional buy-in or simply their desire to have some input into system development. Indeed, the use of performance-based funding systems in higher education still faces considerable opposition from college officials, many of whom continue to question its value (Schmidt 2002).

Selecting Performance Indicators

Ideally, the number and type of indicators used to assess performance and their relative weight within funding formulas should support the attainment of states’ educational goals. A critical first step is identifying a set of desired state outcomes and associated process-related indicators that can be used objectively to quantify institutional performance without compromising faculty independence (Crowder and Janosik 2001). While there is no set number, most states have identified between 8 and 15 indicators, tailored to address the different goals of universities, four-year institutions, and two-year institutions. Table 2 includes examples of indicators frequently used to track institutional performance.

Table 2 Performance indicators ranked by frequency

1. Retention/Graduation Rate	10. Administration Size/Cost
2. Professional Licensure Test Scores	11. Class Size
3. Time to Degree	12. Undergraduate Affordability
4. Faculty Work Loads	13. Student/Faculty Ratios
5. Alumni Satisfaction Surveys	14. Test Scores in General Education and Academic Majors
6. Job Placements	15. Supporting K–12 Reforms
7. Program Accreditation	16. Teacher Preparation
8. Program Review	17. Undergraduate Access
9. Sponsored Research	

SOURCE: Burke 2001.

To select performance-based funding indicators and develop measures, states usually establish a funding task force or commission a state agency to perform a special study.⁵ Recommendations are used to determine the most effective strategy for allocating resources, the type of measurement strategies to be used, and their relative weight in state funding formulas (see, e.g., Illinois Community College Board 2004).

Allocating Agency Funds

Performance-based funding systems can alter institutional resource allocations, which can have potentially serious consequences for campuses relying on stable funding streams to maintain services. For example, to assess the potential effect of adopting performance funding to allocate 100 percent of state resources, the South Carolina Legislative Audit Council (2001) conducted a study of institutional eligibility. It found that campus allocations could potentially fluctuate by as much as 30 to 40 percent annually, making it impossible for higher education administrators to produce annual budgets.

To soften the effects of performance funding, states generally allocate only a relatively small percentage of state higher education funds based on institutional outcomes. In most states, this amounts to 1 to 4 percent of total state operating funds. By restricting performance funding to a fraction of institutional funding, states can often motivate educators to change without seriously undermining institutional operations (Hoyt 1999).

Recognizing that change takes time, some states have opted to link performance-based funding initiatives to multi-year plans. For example, consideration of performance in California's Community College System is spread over seven years, in Pennsylvania over four years, and in Louisiana over five years, with institutions developing annual operational plans to structure programs (Burke 2002). There is currently no evidence indicating an optimal timetable for assessing performance or showing whether the structure of state allocation formulas or level of funding affects system implementation.

Costs of Collecting Outcome Data

Performance-based funding systems require local providers to collect a set of state-specified data on individual outcomes and institutional operations. Standardizing

⁵ Tennessee is a good example of how a state approached the design, or in this case, redesign of its state funding system. In 2001, the General Assembly directed the Comptroller's Office of Research, the Office of Legislative Budget Analysis, and the Budget Division of the Department of Finance and Administration to conduct a joint study to provide recommendations for improving the operation of the state's higher education performance and accountability system.

reporting typically shifts some costs onto local providers, who may need to modify or upgrade their management information systems to track specified measures (South Carolina Commission on Higher Education 2003b). In some cases, this can involve reprogramming computer systems or retraining staff to collect new data elements, although there is evidence that many of these costs may be limited to the start-up phase (Gray 1996).

The literature review provides no quantitative data on the cost of implementing performance-based funding systems in higher education. In practice, it is likely that a host of state-specific factors affect provider start-up costs, including the rigor of prior state reporting requirements, the number and type of indicators for the new allocation formula, providers' available hardware and software, and staff analytic capability. Since higher education institutions typically possess fairly sophisticated data systems, along with institutional research staff trained to collect and analyze data, it would be difficult to extrapolate, from postsecondary educators' experience alone, the likely cost of implementing performance-based funding in other educational sectors.

Although there is often an assumption that postsecondary educational data are comparable, experience shows that there can be substantial differences in data quality among institutions (Burke and Modarresi 1999). Since state allocations are based on institutional outcomes, which must be consistently measured if allocations are to be seen as fair, state higher education agencies may have had to redirect resources to train staff in data collection procedures, although the literature provides no information to document this cost. Generally, published studies provide little information on the procedures states have followed to disseminate new reporting guidelines to higher education administrators or on the types of training that campus staff require to collect accurate data.

LESSONS LEARNED FROM HIGHER EDUCATION

Performance-based funding systems have been championed as a means of improving postsecondary accountability and efficiency, while motivating low-performing institutions to undertake reforms they might not otherwise attempt. Since most funding systems are still in the early stages of implementation, few rigorous evaluations have been conducted to assess what effect, if any, these systems have had on higher education performance. Current reports, most of them anecdotal, suggest that while rewarding excellence can improve productivity, changes in how data are communicated within institutions are still needed if program results are to affect service delivery appreciably (Albright 1996; Burke 2001).

Proponents of performance-based funding suggest that these systems can help improve the quality of higher education programs. According to the South Carolina Commission on Higher Education (2003b), these accountability systems strengthen institutions, improve efficiency, and enhance outcomes for students. Specific benefits directly or indirectly attributed to these systems include the following:

- ⊙ Higher graduation rates.
- ⊙ Recruitment of faculty with better credentials.
- ⊙ Clearer mission focus and strengthened academic programs.
- ⊙ Easier student transfer from two-year to four-year colleges.
- ⊙ Increased externally funded research at research institutions.
- ⊙ Lower administrative to academic cost ratios.

Other suggested benefits include the creation of new campus environments in which faculty are more concerned with educational outcomes (Van Dyke, Rudolph, and Bowyer 1993), improved linkages in institutional planning and budgeting, and more autonomy for individual campuses, which are evaluated on their outcomes and not the means by which they achieve their results (Burke 2001).

Not all higher education faculty and administrators share this view. Surveys of State Higher Education Finance Officers suggest that performance reporting, funding, and budgeting systems have failed to improve the operation of public colleges and universities. Fewer than half of respondents in states using performance funding and budgeting (47 percent and 45 percent, respectively) and about one-third in states using performance reporting (35 percent) believed that performance-based approaches had a moderate or greater effect on program improvement (Burke and Minassians 2003).

Performance funding and budgeting systems appear to have a mixed effect on key higher education indicators. In a review of performance funding programs in Tennessee, Bogue (2002) found that, between 1994 and 1998, universities failed to improve their persistence-to-graduation and job placement rates substantially, even though a growing number of students consistently scored above the national norm on the College BASE exam and a growing proportion of academic programs received accreditation.⁶

In perhaps the most comprehensive analysis to date of the effect of performance-based funding on institutional performance, Shin and Milton (2004) analyzed data on

⁶ The College BASE exam is a criterion-referenced academic achievement test that evaluates students' knowledge and skills in English, mathematics, science, and social studies, usually administered after a student completes a college-level core curriculum.

456 higher education institutions over a five-year period from 1997 to 2001. These analyses indicate that states using performance-based funding approaches exhibit the same increases in graduation rates as those without performance-based systems. States with performance funding and budgeting systems do, however, exhibit higher growth in graduation rates than those using only performance funding (Shin and Milton 2004).

The lack of impact found in some studies can be attributed to several factors, including the tendency of higher education graduation rates to change slowly over time, the relatively small amount of funding attached to institutional performance, the manner in which performance-based funding data are shared within higher education institutions, and the possible countervailing influence of other factors, such as changes in admissions policies and the availability of student financial aid. Of these factors, poor communication by states to institutions of performance results and how they are used in funding formulas may be particularly important in understanding the limitations of performance funding and budgeting approaches (Burke 2001).

Although performance-based funding eligibility is determined at the institutional level, most colleges are organized into separate departments, often housed in separate buildings or colleges. This can undercut the operation of performance-based funding systems, since individual department staff may not be aware of how their programs contribute to overall campus eligibility (Folger and Jones 1993). Indeed, surveys of postsecondary educators suggest that academic deans or department chairs often have little understanding of how funding operates within their state education system (Burke and Minassians 2003). If the fiscal consequences of institutional performance are not communicated to the department or program level, then those with the responsibility to make improvements are not likely to understand the need for change.

Performance-Based Funding in Adult Education

State adult education agencies contract with public and/or private service providers to deliver instructional services at the local level. While all states distribute resources to providers as base funding—typically allocated as a function of enrollment—a number of states are in addition using performance-based funding to compensate providers for achieving state-identified outcomes.

Performance-based funding for the purposes of this project refers to adult education funds that are distributed from state to local providers based, in whole or in part, on defined factors of performance. “Performance” is assessed by a state by measuring desirable effects of programs, including learner outcomes or other administrative or programmatic outcomes (e.g., intensity of services, pre- and post-test matches, enrollment, etc.). Performance on defined factors determines how much money a provider receives, and may result in additional funds being added to a program (incentives) and/or funds being deducted from a previous year’s funding (sanctions).

This section describes different performance funding approaches states are using to allocate adult education resources to eligible providers. Where appropriate, examples of state systems are provided to illustrate the different forms these approaches can take. Detailed descriptions of state systems can be found in Appendix A.

FEDERAL AND STATE ALLOCATIONS FOR ADULT EDUCATION

The Adult Education and Family Literacy Act, Title II of the Workforce Investment Act, provides all states with federal resources to support the provision of adult education services. While all states are required to provide a match for state funding, states invest different amounts of their own state resources to support the provision of adult education services. To assess actual state expenditures and federal allocations to support performance-based funding, researchers contacted state administrators in study states to collect program year 2003–04 funding data. State-supplied responses are included in Table 3.⁷

Two of the 10 states studied—**California** and **Florida**—invest a substantial amount of state resources in adult education programs, with more than 90 percent of statewide spending for base and performance-based grants to adult education providers coming

⁷ Data contained in Table 3 are self-reported by states and report figures have not been verified for accuracy. The data contained in the table are for general descriptive purposes related to this study only, and include funding allocated only for base or performance funding (i.e., federal state leadership funding is not included). Consequently, figures contained in this table may differ from those reported elsewhere.

Table 3 **Dollar amount and percentage of state and federal adult education resources allocated as base or performance funding: FY04**

State	State expenditures for adult education services	Federal allocation for adult education services	State funding as a percent of total adult education funding	Federal funding as a percent of total adult education funding	Percent state funds allocated using performance criteria	Percent federal funds allocated using performance criteria	Percent state and federal funds allocated using performance criteria
California	\$577,775,000	\$46,476,326	92.6	7.4	0	100	7
Florida ¹	\$266,191,501	\$22,801,561	92.1	7.9	—	—	—
Illinois	\$34,243,500	\$16,100,501	68.0	32.0	31	0	21
Indiana	\$14,000,000	\$7,311,358	65.7	34.3	0	15	5
Kansas	\$1,048,998	\$3,455,235	23.3	76.7	50	100	88
Kentucky	\$7,470,502	\$6,105,881	55.0	45.0	13	0	7
Michigan ²	\$20,000,000	\$12,110,552	62.3	37.7	10	0	6
Missouri	\$2,040,000	\$7,900,000	20.5	79.5	12	14	13
Ohio	\$8,108,812	\$14,758,637	35.5	64.5	0	1	1
Pennsylvania ³	\$18,534,000	\$17,188,880	51.9	48.1	—	—	—

— Not available.

¹ Florida did not use performance-based funding in FY04. In FY05 the state allocated \$5 million in performance-based funding, accounting for roughly 2 percent of state and federal funds.

² Michigan is moving toward allocating 100 percent of its federal funds as performance-based funding; however, since funding is not directly tied to performance outcomes (i.e., providers do not gain or lose resources based on actual performance), Michigan is classified as not allocating federal resources using performance-based funding.

³ Pennsylvania was in the process of modifying its funding formula in 2003–04 and did not allocate resources using performance-based funding.

NOTE: Data contained in this table are self-reported by the states and their accuracy has not been verified. The data contained in the table are for general descriptive purposes related to this study only.

SOURCE: MPR Associates, Inc.

from state funds. Three other states—**Illinois**, **Indiana**, and **Michigan**—also provide a relatively large proportion of the funding provided to adult education providers.

All states support the funding of adult education with a base allocation, although states use a variety of methods for establishing provider eligibilities. To that base allocation, states use financial incentives and/or sanctions to allocate a portion of their state and federal resources. Listed below are some examples of state performance-based systems currently in place.

While it appears that some states are allocating a relatively large proportion of funding based on provider performance, differences in the size of federal and state resource levels affect the proportion of funds actually distributed using incentive criteria. For example, although **California** allocated 100 percent of its federal resources earmarked for providers using incentive funding in 2003–04, overall the state allocated just 7 percent of total base and performance-based grants using incentive funding. This is because federal resources constitute a relatively small share of base and performance-based funding for adult education.

Overall, **Kansas** invests the greatest proportion of state funding using performance criteria. As illustrated in Table 3, the state allocated 88 percent of its federal and state provider resources using incentive funding. Other states allocating a relatively large proportion of resources using incentive funding include **Illinois** at 21 percent and **Missouri** at 13 percent of total state and federal funding. Performance funding statistics are not available for **Florida** and **Pennsylvania**, which were in the process of modifying their performance-based funding formulas during the 2003–04 program year.

STATE APPROACHES TO PERFORMANCE-BASED FUNDING

A review of state funding systems indicates that many states allocate a portion of their state or federal resources as an incentive add-on, meaning that providers who achieve all or a percentage of state-defined performance goals may qualify for additional funding—above their guaranteed base—as a reward for outstanding performance.

In **Kentucky**, all federal and approximately 87 percent of state adult education resources are allocated as a needs-based grant to a single provider in each county, with funding eligibility determined by the number of adults at low levels of literacy. Providers qualify for a state-funded incentive grant if they meet 100 percent of the annual state enrollment goals for adult populations and at least 50 percent of performance benchmarks across 15 key performance areas.

The size of a provider's incentive grant eligibility is calculated as a percentage of each county's base funding, meaning that a county that qualified for 10 percent of the state's base funding would be eligible for 10 percent of incentive funds. Providers failing to meet enrollment goals and/or performance benchmarks over a two- to three-year period may be sanctioned with contract termination.

Michigan also has a funding system that adds incentives to its base funding formula using state resources. Providers qualify for a state funding eligibility based on their prior year enrollment (i.e., the number of FTE participants in a 450-hour program). Providers receive a base award of 90 percent of this funding eligibility, with the re-

maintaining 10 percent of funds awarded based on the number of students attaining a state-defined performance outcome associated with their program. For example, a provider achieving positive outcomes for 90 percent of its FTE students would qualify for 90 percent of the 10 percent of state resources earmarked for incentive funding.

Federal funds are allocated across Workforce Development Board regions based on relative need, and then within regions to local providers based on enrollments. Over time the state has issued continuation grants to local providers and instituted performance measures, based on the NRS goals, to identify sites in need of improvement. Funding is not, however, directly tied to performance outcomes (i.e., providers do not gain or lose federal resources based on performance).⁸

Missouri uses performance-based funding to allocate a modest amount of both its federal and state resources; overall, in 2003–04, the state allocated roughly 12 percent of its state and 14 percent of its federal resources as incentive funding. Performance measures used to allocate resources include GED attainment and literacy level advancement, with provider incentives calculated by multiplying the total number of individuals by the attainment rate for each performance measure. Funding amounts vary across sub-measures; for example, providers receive \$200 for an AEL Level 1 Completion, \$150 for a Level 2 Completion, and \$75 for a Level 3-5 Completion.

Prior to the 2004–05 program year, **Illinois** allocated its federal and state adult education resources using a performance funding approach that compared each program's performance to that of other providers within the state. Under the new state formula, slated for implementation in the 2005–06 program year, all providers will qualify for base funding, distributed across Area Planning Council regions as a function of the number of adults needing educational services. Funds distributed to providers within regions will be based on provider size, units of instruction, and student enrollment.

A portion of state resources will be set aside for performance funding purposes. Providers will qualify for incentive funding based on learner outcomes on three measures—Secondary Completion, Level Completion, and Test Score Gains—averaged over a three-year period. For example, a provider that on average met 80 percent of its performance benchmark would receive 80 percent of its incentive funding. Providers not meeting benchmarks for three consecutive years would be sanctioned with a loss of some incentive funding.

Providers exceeding all performance benchmarks will also be eligible to earn additional financial incentives for exceptional performance. This incentive funding is

⁸ Although Michigan classifies its federal allocation system as performance-based funding, the state does not, at the current time, add or subtract funding based on provider performance.

limited to no more than 5 percent of a program's performance incentive allocation for a given year. These incentive funds are one-time allocations that do not roll over from year to year.

Supplying funds to providers based on changes in their own performance can be an added incentive for programs to make continuous improvement, while insulating them from external factors over which they have no control, such as the performance of competing agencies. Averaging program performance over time can also dampen the effect of year-to-year fluctuations in student outcomes, which can increase the predictability and stability of program allocations. Although **Illinois'** approach to program funding may offer some useful lessons for states, the system has yet to be fully implemented, meaning that it may be too early to assess the effectiveness of the state's new formula.

Ohio is in the process of adopting performance-based funding to allocate its federal resources. The state has introduced a *Desk Review* that, for the past two years, has been used to determine which local programs receive performance-based incentive dollars. The Desk Review rates programs on the following:

- ⦿ Student Achievement—This measure has three sections focusing on factors related to student performance and the reporting of those achievements. These include student completion of educational functioning levels and attainment of postsecondary education, employment, GED, and family literacy goals. This section accounts for 67 percent of the overall rating.
- ⦿ Achievement of FY 2004 Requirements—This measure focuses on requirements included in the state's General Assurances. These include submissions of interim and annual reports, data for matching, Individual and Program Professional Development Plans, Learning Disability Policy and Planning Guides, Schedule A, and others. It also includes attendance at specific meetings and events. This section accounts for 33 percent of the overall rating.

The state piloted an initial Desk Review system in 2002–03 and introduced a revised system for 2003–04. The state allocated approximately 1 percent of its federal resources in the 2003–04 program year using performance criteria, with all state resources allocated as a basic grant.

In **California**, 100 percent of federal resources are allocated using a pay-for-performance approach based on a set of indicators that combine continuing student enrollment, program implementation, and student outcomes. Payments are generated through student literacy points called payment points or benchmarks. Agencies

earn payment points for each student from the previous program year who had the following:

- ⊙ A Programs and Students (TOPSpro) entry record.⁹
- ⊙ A Comprehensive Adult Student Assessment System (CASAS) standardized pretest.
- ⊙ A CASAS standardized posttest.
- ⊙ A TOPSpro update record.

To earn a performance point, students must also have achieved one of the following: a significant competency gain; an advancement of two instructional levels; a passing score on a Citizenship Interview Test, the Government and History test, an English Literacy/Civics (EL Civics) Civic Participation Additional Assessment, or the GED test; or attainment of a high school diploma. The state caps the number of payment points per student based on the program in which a student is enrolled to help ensure that state funds are distributed to numerous programs throughout the state.

California is also notable because the state legislature considered and abandoned the idea of using performance-based funding to allocate all state resources, primarily because of concerns about the anticipated cost of implementing and administering such a system.¹⁰ Instead, the state allocates 100 percent of its state resources as base funding conditioned on average daily attendance at adult schools and full-time equivalents at community colleges.

Administrators in California agencies receiving federal resources observe that investing time and resources in data collection has paid off in the development of stronger student-centered programs. They do not believe, however, that there is sufficient fiscal and data collection capacity among all local providers, or the political will state-wide, to support adoption of this approach for allocating state funding at this time (Personal Communication, Cliff Moss, December 23, 2004).

Performance-based funding also plays a significant role in **Kansas**, which allocates 100 percent of its federal and 50 percent of its state provider resources—amounting to 88 percent of total state and federal resources—using incentive funding. Each fiscal year, one-half of state adult education resources are evenly divided as base fund-

⁹ The TOPSpro system is a computerized database designed for students, teachers, and program administrators in adult education. TOPSpro automates CASAS scoring, collects student demographic data, monitors student progress, creates reports and profiles, and manages state and federal accountability data.

¹⁰ As one administrator observed, local agencies receiving federal funds in the past invested substantial resources modifying their data collection and management information systems to conform to federal reporting requirements. Since 95 percent of federal funds were required to be used for student support, this expenditure prompted complaints that too great a share of a provider's nonfederal resources were being used to monitor outcomes (Personal Communication, Cliff Moss, December 23, 2004).

ing among all funded programs in the state. Remaining state and federal resources are distributed as incentives according to providers' performance on state-defined performance indicators relative to the rest of the state. For example, a program accounting for 5 percent of statewide outcomes on a given factor would qualify for 5 percent of the total state or federal performance funding allocated for the factor.

Performance criteria used to allocate resources include:

- ⦿ *Learner Outcomes.* Fifty percent of federal funds are allocated based on the number of successful learner outcomes, with educational gain outcomes doubled for learners at the 2 lowest ABE levels and 3 lowest ESL functioning levels of the NRS.
- ⦿ *Program Quality.* Fifty percent of state and 50 percent of federal funds are allocated based on the number of quality points a program receives relative to the statewide total of quality points generated that year.¹¹

The state's emphasis on performance is intended to motivate local agencies to review their annual program data to identify programs in need of technical assistance. This emphasis on performance may have contributed to reductions in the number of local providers since the new funding system was introduced, from 36 to 31 programs.

Prior to a mid-year budget reduction in 2001–02, **Florida** allocated funding to school districts and community colleges using a formula contained in the state's Workforce Development Education Fund (WDEF). For each fiscal year going back to 1996–97, the state guaranteed eligible local providers 85 percent of their prior year funding, awarded as a base allocation. Providers competed against other agencies in the state to obtain remaining funding earmarked for competitive allocation.

Incentive funding was based on the number of program points a provider earned relative to the total number of statewide points generated using the state workforce formula. For example, a provider accounting for 8 percent of the WDEF points would qualify for 8 percent of total state funds allocated for adult general education programs. The dollar amount attached to a point varied across years, depending upon the availability of federal and state funding and the total number of points generated by providers.

Performance points were weighted using a scale that assigned greater weight to hard-to-serve clients. Performance factors included:

¹¹ Quality points in Kansas are awarded to agencies based on a review of program attributes. The state has specified a set of 26 measures of program quality, with points awarded based on whether a program is rated as having a high, medium, or low level of quality.

- ⦿ *Relative Effort*—Points awarded for each adult who achieved a literacy completion point. Points were weighted for length of program participation.

- ⦿ *Placement*—Points awarded for each job placement, weighted by wage.

One drawback of this approach was that providers often did not know in advance the value of a performance point. Since the value of a given outcome was dependent upon the total number of statewide points generated, dollar amounts associated with an outcome fell as the number of students achieving an outcome increased. Consequently, providers often had difficulty estimating the number of successful student outcomes they had to achieve to earn back their at-risk funds.

Beginning in 2002–03, the WDEF funding formula was no longer used to allocate adult education funding. Funds for local school districts were instead allocated pro-rata based on prior year funding, and for community colleges allocated pro-rata according to a formula that took into account several institutional components, including the number of students enrolling in classes. In 2004, the state legislature adopted new funding criteria requiring that school districts and community colleges allocate 90 percent of adult education and workforce funds based on prior year allocations, with the remaining 10 percent at risk based on performance outcomes.

Although the state has not achieved the 10 percent requirement that is currently in the statute, performance funding continues to be distributed using weighted completions and performances in school district programs. For 2005–06, \$5 million was distributed based on the three-year average of weighted completions and placements; the main difference from prior year funding is that there is currently no funding at risk each year (i.e., no one has to “earn back” a percentage of their funding through performance). However, the state continues to use the “learning gains” measures developed under the old performance-based funding approach to evaluate institutional performance.

In **Indiana**, roughly 85 percent of federal funds are allocated as base funding conditioned on a district’s 1999–2000 base budget. Remaining federal resources are allocated as performance-based funding, with roughly 20 percent of this amount awarded as an add-on incentive to providers meeting state-negotiated performance standards for 15 measures (e.g., Beginning Literacy, entered employment). Remaining funding is allocated based on the number of students within a given program who achieve a set of state-defined performance outcomes.

In contrast, all state resources are allocated as a base grant, with roughly 75 percent of funds allocated as a basic grant conditioned on providers’ annual expenditures for

1992 or, for new programs, a base amount established at the close of the first full year of operation. Any remaining resources or new dollars added by the state legislature are distributed on the basis of enrollments, such that over time a greater percentage of the allocation is based on student demand (i.e., enrollment growth or decline).

SELECTING PERFORMANCE INDICATORS

Irrespective of their funding approach, states are using a variety of performance criteria to allocate incentive funds, with most using some measure of educational gain to reward providers (see Table 4). Generally, programs are rewarded for the number of participants who achieve a state-defined academic gain, although points may also be awarded for administrative criteria, such as providers' submission of required state reports.

With some exception, states do not differentially weight the funding gains or losses associated with various performance measures, meaning that a student demonstrating an educational gain generates the same additional funding as a student placed into employment. This suggests that states value performance outcomes equally across and within programs. Or they may be using equal weighting to ensure that providers pay attention to all prescribed performance measures.

Table 4 Measures currently used to allocate state performance funds

Educational Gain*	CA	IN	KS	MI	OH	PA	Data Quality/Technology Use	KS	OH	
Program/Course Completion	CA	FL	IL	IN			Administrative Report Submission*	OH	PA	
			KY	MI	MO	OH	Maintaining Student Data Records	CA	KS	
GED Attainment	CA	IL	IN	KY			Collaboration with Other Providers	KS		
			MI	MO	OH	PA	Cost Effectiveness	KS		
Diploma Receipt	CA	IL	IN	KY	MI		Effective Practice	KS		
Postsecondary Placement			IN	KY	OH	PA	Local Financial Support	KS		
Entered Employment	FL	IN	KY	OH	PA		Professional Development/Staff Expertise	KS		
Retained Employment			IN	KY	PA		Exit Information	OH		
Enrollment			KS	OH	PA		Student Pre-testing and Post-testing	CA	OH	PA
Enrollment Targeted Students								KS		
Enrollment Retention			KS	OH	PA					

* States may use multiple sub-measures to assess program outcomes. For example, measures of educational gain may occur within a program area (e.g., Beginning Literacy ABE, Beginning ABE, Low Intermediate ABE, High Intermediate ABE) or across program areas (e.g., ABE, ESL, ASE) to track gain. States may also track the submission of various reports for administrative record submission.

SOURCE: MPR Associates, Inc.

A review of state measures used to allocate performance funds indicates that many states have incorporated the NRS core measures into their performance funding systems. States' use of the NRS measures as performance funding criteria attests to their utility. Developed in collaboration with the adult education community, the core measures capture what educators believe are the most important aspects of program performance.

Theoretical Framework

A review of the literature on performance funding in adult education offers little insight into why these systems are developed, how they are designed and implemented, or whether they affect program quality and client access. Based on conversations with state adult education administrators, it appears that few states have documented the origins of their funding systems or conducted rigorous evaluations of formula operation.

Performance-based funding is not unique to adult education, however, and examination of related systems in higher education suggests that all states face a common set of issues when adopting these systems. This section explores theories about how and why states develop performance-based funding systems to identify four research questions—derived from the postsecondary literature review and overview of state adult education funding approaches—that will be used to structure case study visits.¹²

THE RATIONALE FOR SYSTEM DEVELOPMENT

Performance-based funding systems are intended to channel resources to the most effective providers of instructional services. As illustrated in Figure 1, it is hypothesized that a state's rationale for system development, and the process used to design and implement performance-based funding systems, are influenced by a number of state contextual and influencing factors.

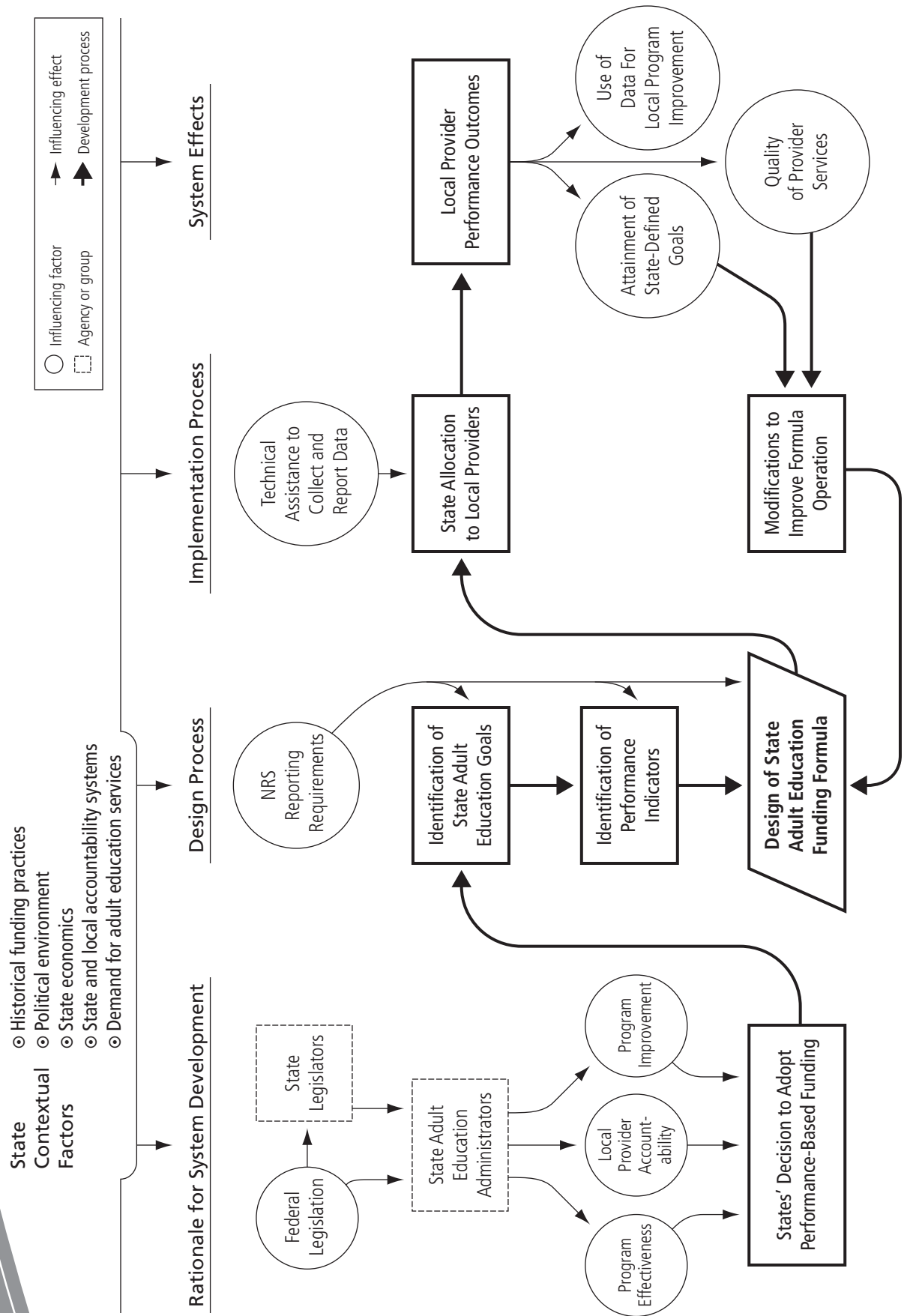
State contextual factors—which include a state's historical funding practices, the existence of state and local accountability systems, the relative need for adult education services, state political environments, and economic conditions—describe the underlying conditions within which a performance funding system is built. These factors both influence whether a system is adopted, as well as the shape it takes as it is created. It is likely that different contextual factors have differing impacts in different states, and case study site visits will be used to help researchers disentangle the relative effect of state conditions on system adoption.

It is hypothesized that federal reporting requirements contained in AEFLA have motivated both state legislators and adult education administrators to pursue the use of performance-based funding in adult education. In particular, it is believed that federal legislation, which requires that states establish comprehensive reporting systems to

¹²Data presented in this report represent the most current information available at the time this study was conducted. As project work continues, it is likely that researchers will need to modify or update data and/or the conceptual and theoretical frameworks to reflect the continuing evolution of state funding systems.

Figure 1

Conceptual model of the rationale for system development and the process used to design and implement performance-based funding systems



assess providers' effectiveness, has helped foster a culture of accountability that is manifested in the development and use of performance-based funding systems.

A review of the higher education literature suggests that state policymakers value these systems because they can help align institutional missions with state educational goals, while holding colleges and universities accountable for improving the quality and effectiveness of their instructional programs. Performance funding systems can also assist state legislators in demonstrating that they are budgeting taxpayer resources responsibly, in a manner that aligns with state educational goals.

It is assumed that state adult education administrators also favor these systems because they present a clear set of criteria for evaluating program performance, while motivating local providers to undertake continuous improvement efforts. The combination of these influencing factors is predicted to directly affect states' willingness to adopt performance-based funding systems.

DESIGNING PERFORMANCE-BASED FUNDING SYSTEMS

Unlike the higher education sector, where state legislators and governors have championed performance-based funding, conversations with state staff suggest that adult education administrators, and in particular State Directors of Adult Education, have taken the lead in lobbying for system adoption. State administrators typically convene a special adult education task force or work in consultation with state adult education leadership and providers to identify common state goals for adult education. These goals are then translated into performance measures that can be incorporated into funding formulas.

The higher education literature and conversations with state adult education administrators suggest that system designers often seek to balance measures of program accountability with measures designed to promote program improvement when designing state adult education funding formulas. While there is no agreement among researchers and state adult education staff on the specific type or number of measures for ensuring system success, most states appear to be using between 5 and 15 measures to allocate both higher education and adult education resources.

State adult education administrators suggest that many states are using performance measures that overlap with the core measures of the NRS. Case study visits will help clarify who participated in the formula design process, how and why particular measures were selected, the process used to integrate these measures into the state funding formula, and the procedures used to validate these approaches with the wider adult education community.

IMPLEMENTING PERFORMANCE-BASED FUNDING SYSTEMS

It is anticipated that states that have succeeded in implementing performance-based funding systems have pioneered strategies to communicate system expectations to service providers and to integrate continuous improvement into formula operation. This suggests the operation of a feedback loop, with modifications to improve formula operation based on providers' experiences in delivering services and producing desired outcomes.

It is hypothesized that state contextual factors, and in particular state economics, affect the size of allocations to local providers. Given that many states are currently struggling to maintain their higher education performance funding systems in the face of declining state revenues, it is anticipated that the stability of state resources will also affect the proportion of adult education resources earmarked for performance distribution. Moreover, proposed cuts in federal funding for adult education funding may affect states' capacity to retain or introduce performance-based funding systems. Case study site visits will focus both on states' commitment to performance funding and administrators' perception of how changes in state and/or federal resources will affect system operation.

To collect data on state-established measures, adult education service providers may need to upgrade their management information systems and standardize their data collection procedures so that they can submit accurate, reliable information. Although no study currently exists quantifying the cost of MIS startup, it is assumed that much of the cost of program implementation may be traced to system start-up, as suggested in the review of the higher education literature and interviews with California adult education administrators.

Determining how systems were initially implemented will entail interviewing state management information system staff to identify the changes that were necessary in state and local data systems, the minimum requirements for administering performance-based systems, and the strategies used to audit local provider data for accuracy. Interviews with representative local providers will also be necessary if researchers are to understand how the field has adapted to new data collection requirements.

Equally important will be identifying the types of state technical assistance given to local providers to assist them in collecting and reporting data. This will include collecting data on implementation needs among providers, as well as the most common obstacles and unintended consequences encountered during system start-up and early stages of formula use. Case study researchers will need to gather information

on how formula operations were communicated to local providers and the types of support services that have proven most effective.

THE EFFECT OF PERFORMANCE-BASED FUNDING ON PROVIDERS

Performance-based funding systems have yet to be proven effective instruments of institutional change in the higher education sector. While the recent economic recession has led some states to reduce or discontinue performance funding due to resource constraints, a lack of communication between higher education system administrators and campus faculty has also presented challenges to implementation.

The literature suggests that postsecondary faculty do not understand how performance-based funding systems operate or how classroom instruction affects campus funding, a weakness in the system that can undermine efforts to improve programs. While conversations with state adult education administrators suggest that communication issues are less of a factor in the adult education setting, in part because the high stakes attached to performance motivate providers to act on their performance data, researchers will seek to address this issue by collecting data on how performance data are used in a representative sample of local providers.

While states have taken steps to ease the impact of performance-based funding on local providers, it is anticipated that new funding systems may have had unintended consequences. Accordingly, it is hypothesized that formula outcomes may affect both the attainment of state-defined performance goals, as well as the manner in which local providers deliver services.

To assess whether performance funding systems are achieving their desired effect, researchers will collect data to assess how key indicators referenced in the state funding formula have changed over time (e.g., the number of GED diplomas awarded, increases in learners moving to higher literacy levels, etc.). While analysis of program outcomes will not be sufficient to establish cause-and-effect relationships, this information can help researchers assess whether the introduction of performance-based funding is associated with changes in targeted student and program outcomes. To support analyses, researchers will attempt to account for changes in state conditions—such as increased or decreased state and federal funding for adult education—that may affect observed outcomes.

To assess the impact of performance-based funding on local providers, researchers will request state administrators to supply them with federal and state resource allocation data in the years immediately preceding and following the introduction of performance-based funding systems. Examining these data will allow researchers to

assess how state adult education services changed with system implementation. For example, new funding formulas may have driven some service providers out of business or affected the type and numbers of agencies that apply for funding.

Case study interviews with local providers will also be used to assess changes that have occurred in their programs subsequent to system adoption. For example, researchers might ask, “How, if at all, have programs changed since performance-based funding was instituted?” To avoid simply collecting anecdotal information, researchers will formulate interview protocols so that local provider staff must supply concrete, evidence-based examples to support their responses.

DEVELOPMENT OF RESEARCH QUESTIONS

Telephone interviews with state adult education administrators have afforded some insight into states’ rationale for adopting performance-based funding and the design and implementation of these systems. While significant front-end work often goes into the development of state performance-based formulas, these funding systems are also dynamic and may undergo considerable change following their implementation. Interviews with state adult education administrators and local providers and the collection of state fiscal data will help researchers answer a number of questions, including:

- ⦿ Why have states decided to adopt performance-based funding systems?
- ⦿ How have performance-based funding systems been designed at the state level?
- ⦿ How have performance-based funding systems been implemented at the state level?
- ⦿ What effect have performance-based funding systems had on the attainment of state-identified performance goals and the delivery of services?

A set of assumptions underlying these questions is arrayed in the Conceptual Framework (Figure 2), which summarizes Literature Review Findings, Findings from the Adult Education Field, Researcher Assumptions, and associated Case Study Actions that will be used to collect data relating to these findings. This framework will provide a foundation for developing the qualitative research methodology, including case study protocols, to be used in the study.

NEXT STEPS

Understanding the factors affecting local allocations will require analyzing qualitative and quantitative data on a wide variety of issues, including state funding priorities, the history of adult education funding efforts, and states’ experience with perfor-

Figure 2

Conceptual framework of preliminary theory to be tested through case study analysis

	Postsecondary literature review findings	State administrator observations	Researcher assumptions	Case study actions
Why was performance funding adopted?	<ul style="list-style-type: none"> Systems are intended to align institutional missions with state goals Systems hold providers accountable for outcomes and for undertaking continuous improvement State policymakers use these systems to demonstrate they are responsible 	<ul style="list-style-type: none"> Systems are needed to improve the efficiency of state services Systems hold providers accountable and motivate program improvement 	<ul style="list-style-type: none"> State contextual factors affect system adoption 	<ul style="list-style-type: none"> Interview state adult education director and staff
How are performance funding systems designed?	<ul style="list-style-type: none"> State policymakers initiate system development and often encounter local opposition States use multiple measures to track higher education outcomes 	<ul style="list-style-type: none"> State adult education administrators initiate system development States use multiple measures that align with those in the NRS. 	<ul style="list-style-type: none"> Some local providers may oppose systems Design of funding formula accounts for state contextual factors systems 	<ul style="list-style-type: none"> Interview state adult education director and MIS staff Interview local providers
How are performance funding systems implemented?	<ul style="list-style-type: none"> Institutions may lack infrastructure or technical expertise to collect data. 	<ul style="list-style-type: none"> States have pioneered strategies to monitor provider outcomes/data quality Technical assistance is provided 	<ul style="list-style-type: none"> Local providers may have had to restructure their data collection systems 	<ul style="list-style-type: none"> Interview state adult education director Interview local providers
How has performance funding affected state goals and provider outcomes?	<ul style="list-style-type: none"> Performance funding systems have had mixed effects on institutional programs Resource constraints can lead states to discontinue funding Faculty do not understand how funding works or how to use data for program improvement 	<ul style="list-style-type: none"> Due to stakes associated with funding, local providers understand system operation State performance on established outcomes has improved New funding systems have motivated local providers to improve 	<ul style="list-style-type: none"> Funding systems will have some unintended consequences Some providers will have been driven out of the market Locals use data for program improvement purposes 	<ul style="list-style-type: none"> Interview state adult education director and staff Collect state fiscal data prior to and following formula adoption Interview and collect data from local providers

mance-based funding in other education sectors. Case study site visits to representative states are a frequently used and widely accepted method for collecting this kind of information.

Because a limited number of states will participate in the study, researchers will need to choose states with substantial experience using performance-based funding and who are willing to share what they learned in designing and implementing these systems. Given that all states rely on base funding or a combination of base and incentive funding to allocate resources, researchers will consider a number of factors when selecting states, including:

- ⦿ *State Demographics.* Are states representative of the regional, demographic, and economic diversity of the country?
- ⦿ *Experience Using Performance Funding.* How long have states been using performance funding to allocate state resources?
- ⦿ *Performance Funding Approach.* What type of approach is used to allocate federal, state, or some combination of federal and state resources to local providers?
- ⦿ *Level of Performance Funding.* What proportion of federal and/or state resources are allocated using performance criteria?
- ⦿ *Allocation Criteria.* Which performance measures are used to assess student or program outcomes, and how are these factors weighted in state funding formulas?
- ⦿ *Structure of State Data Systems.* How are state and local data systems configured and administered to collect data on current student enrollment and post-program follow-up?
- ⦿ *Technical Support to Local Providers.* Have states developed procedures to help local providers collect accurate data and use this information for program improvement?

Based on this literature review and in consultation with MPR researchers, OVAE staff will identify states for case study site visits. A research plan based on the issues and questions raised in this paper will also be developed.



Bibliography

- Albright, B. June 1996. *From Business as Usual to Funding for Results*. Paper prepared for the Ohio Higher Education Funding Commission. <http://www.regents.state.oh.us/hefc/albright96.html> (accessed December 21, 2004).
- Ashworth, K. November/December 1994. "Performance-Based Funding in Higher Education: The Texas Case Study." *Change* 26 (6): 8–15.
- Atkinson-Grosjean, J., and G. Grosjean. June 29, 2000. "The Use of Performance Models in Higher Education: A Comparative International Review." *Educational Policy Analysis Archives* 8 (30). <http://epaa.asu.edu/epaa/v8n30.html> (accessed August 12, 2005).
- Beas, A., and M. Zarkesh. 2003. *Indicators and Community College Trends, 2000–2003*. (ERIC ED482702)
- Bhandari, R., S. Klein, K. Mullen, and K. Porter. February 2004. *Performance-Based Funding Systems in Adult Education: Assessing State and Local Implementation*. Paper submitted to the U.S. Department of Education, Office of Vocational and Adult Education.
- Birnbaum, R. 2000. *Management Fads in Higher Education: Where They Come From, What They Do, Why They Fail*. San Francisco: Jossey-Bass.
- Blalock, A., and B. Barnow. 2001. "Is the New Obsession With Performance Management Masking the Truth About Social Programs?" In *Quicker, Better, Cheaper? Managing Performance in American Government*, edited by D. Forsythe. Albany, NY: The Rockefeller Institute Press.
- Bogue, E. 2002. "Twenty Years of Performance Funding in Tennessee: A Case Study of Policy Intent and Effectiveness." In *Funding Public Colleges and Universities: Popularity, Problems, and Prospects*, edited by J. C. Burke and Associates. Albany, NY: The Rockefeller Institute Press.
- Bridges, G., and P. Billington. April 2000. *The Myth of Performance Funding in Higher Education*. Paper presented at the 29th annual meeting of the Western Decision Sciences at Maui, HI.

- Burke, J. C. 2001. "Paying for Performance in Public Higher Education." In *Quicker, Better, Cheaper? Managing Performance in American Government*, edited by D. Forsythe. Albany, NY: The Rockefeller Institute Press.
- Burke, J.C. 2002. *Meeting the Challenge of Change and Continuity: Keep What You Can, Change What You Must*. http://assess.usca.sc.edu/fipse/keynote_remarks/ (accessed December 22, 2004).
- Burke, J. C., and H. Minassians. 2002. *Performance Reporting: The Preferred "No Cost" Accountability Program—Sixth Annual Report*. Albany, NY: The Rockefeller Institute Press.
- Burke, J. C., and H. Minassians. 2003. *Performance Reporting: "Real" Accountability or Accountability "Lite"—Seventh Annual Survey 2003*. Albany, NY: The Rockefeller Institute Press.
- Burke, J. C., H. Minassians, and P. Yang. 2002. "State Performance Reporting Indicators: What Do They Indicate?" *Planning for Higher Education* 31 (1): 15–29.
- Burke, J. C., and S. Modarresi. 1999. *Performance Funding and Budgeting: Popularity and Volatility—Third Annual Report*. Albany, NY: The Rockefeller Institute Press.
- Burke, J. C., J. Rosen, H. Minassians, and T. Lessard. 2000. *Performance Funding and Budgeting: An Emerging Merger?—The Fourth Annual Survey*. Albany, NY: The Rockefeller Institute Press.
- Burke, J. C., and A. M. Serban. 1998. "Performance Funding for Public Higher Education: Fad Or Trend?" *New Directions in Institutional Research* 97 (Spring). San Francisco: Jossey-Bass.
- California Department of Education. n.d. *Frequently Asked Questions*. <http://www.cde.ca.gov/sp/ae/fg/funding04faq.asp> (accessed November 18, 2004).
- Carnevale, A. P., N. C. Johnson, and A. R. Edwards. 1998. "Performance-Based Appropriations: Fad or Wave of the Future?" *The Chronicle of Higher Education*, April 10, 1–5. <http://chronicle.com/prm/che-data/articles.dir/art-44.dir/issue-31.dir/31b00601.htm> (accessed August 25, 2005).
- Center for Community College Policy. November 2000. *State Funding for Community Colleges: A 50-State Study*. Denver: Education Commission of the States.

- Cohen, A. M. 1998. *The Shaping of American Higher Education: Emergence and Growth of the Contemporary System*. San Francisco: Jossey-Bass.
- Condelli, L., and H. Baker. October 2002. *Developing Performance Assessments for Adult Literacy Learners: A Summary*. Paper prepared for the U.S. Department of Education, Office of Vocational and Adult Education, Division of Adult Education and Literacy. <http://www.nrsweb.org/pubs.asp> (accessed August 12, 2005).
- Condelli, L., and M. Kutner. March 1997. *Developing a National Outcome Reporting System for the Adult Education Program*. Paper prepared for the U.S. Department of Education, Office of Vocational and Adult Education, Division of Adult Education and Literacy. <http://www.nrsweb.org/reports/DevNatOut.pdf> (accessed August 12, 2005).
- Council for Education Policy, Research and Improvement. January 2004. *A New Emphasis and Funding Methodology for Adult and Career Education: Report and Recommendations*. Tallahassee, FL: Author. <http://www.cepri.state.fl.us/project%20index%20by%20year.html> (accessed August 12, 2005).
- Crowder, M., and S. Janosik. 2001. "Performance Funding in Virginia Higher Education." *Virginia Issues and Answers: A Public Policy Forum* 7 (2): 25–29.
- Ewell, P. November/December 1994. "A Matter of Integrity, Accountability, and the Future of Self-Regulation." *Change* 26 (6): 24–29.
- Executive Office of the President, Office of Management and Budget. April 2002. *Memorandum for Heads of Executive Departments and Agencies*. M-02-06. Washington, DC: Author.
- Florida Community Colleges and Workforce Education, Financial and Business Services. June 3, 2004. *Resource Allocation Funding Model*. Tallahassee, FL: Author.
- Florida Office of Program Policy Analysis and Government Accountability. 2001. *Justification Review of the State University System*. Report No 01-28. Tallahassee, FL: Author.
- Folger, J., and D. Jones. August 1993. *Using Fiscal Policy to Achieve State Education Goals*. Higher Education Funding Commission Background Paper. Publication No. PS-93-1. Denver: Education Commission of the States.

- Gray, M. 1996. *Enhancing the Quality and Use of Student Outcomes Data: The Final Report of the NPREC Working Group on Student Outcomes from a Data Perspective*. Washington, DC.
- Hoyt, J. April 1999. *Performance Funding in Higher Education: Is Outcomes Testing the Answer?* Department of Institutional Research and Management Studies.
- Illinois Community College Board. May 2004. *Adult Education and Family Literacy Funding Study Task Force Report*. <http://www.iccb.state.il.us/HTML/adulted/adulted.html> (accessed November 23, 2004).
- Illinois Community College Board. n.d. *FY05 Allocations for Distribution*. [http://www.iccb.state.il.us/HTML/pdf/adulted/FY05 Allocations for Distribution.pdf](http://www.iccb.state.il.us/HTML/pdf/adulted/FY05_Allocations_for_Distribution.pdf) (accessed August 25, 2005).
- Illinois Community College Board. n.d. *FY05 Program Allocations: Methods and Assumptions*. <http://www.iccb.state.il.us/HTML/what/sysfin.html#publications> (accessed August 25, 2005).
- Indiana Department of Education. <http://doe.state.in.us/adulted/welcome.html> (accessed December 17, 2004).
- Ingraham, P., and D. Moynihan. 2001. "Beyond Measurement: Managing for Results in State Government." In *Quicker, Better, Cheaper? Managing Performance in American Government*, edited by D. Forsythe. Albany, NY: The Rockefeller Institute Press.
- Kansas Board of Regents. June 20, 2000a. *Kansas Four-Year State Plan: Adult Education and Family Literacy. For July 1, 2000 through June 30, 2004*. http://www.kansasregents.org/adult_ed/about.html (accessed August 12, 2005).
- Kansas Board of Regents. June 2000b. *Indicators of a Quality Adult Education Program Including Standards and Measures*. http://www.kansasregents.org/adult_ed/about.html (accessed August 12, 2005).
- Kentucky Adult Education Council on Postsecondary Education. April 1, 2004. *Kentucky State Plan for Adult Education and Family Literacy 2004-05*. [http://adulted.state.ky.us/Announcements/KY Revised State Plan, 6-28-04.doc](http://adulted.state.ky.us/Announcements/KY_Revised_State_Plan_6-28-04.doc) (accessed December 17, 2004).

- Kentucky Department of Adult Education. December 2004. *Annual Report to the Office of Vocational and Adult Education*. http://adulthood.state.ky.us/Final%20Report/KYAE_Annual_Report_OVAE,%201-04-05.doc (accessed January 13, 2005).
- Kutner, M., L. Webb, and N. Matheson. 1996. *A Review of Statewide Learner Competency and Assessment Systems*. Paper prepared for the U.S. Department of Education, Office of Vocational and Adult Education, Division of Adult Education and Literacy. <http://www.nrsweb.org/pubs.asp> (accessed August 12, 2005).
- Layzell, D. T. 1999. "Linking Performance to Funding Outcomes at the State Level for Public Institutions of Higher Education: Past, Present, and Future." *Research in Higher Education* 40 (2): 233–246.
- Marcus, D., E. Cobb, and R. Shoenberg. May 2000. *Lessons Learned From FIPSE Project IV*. Washington, DC: Missouri Coordinating Board for Higher Education: Funding for Results.
- Massachusetts Adult Basic Education Performance Accountability Working Group (PAWG). September 30, 2002. *Final Report*. Massachusetts Department of Education, Adult and Community Learning Services (ACLS).
- Merrifield, J. July 1998. *Contested Ground: Performance Accountability in Adult Basic Education*. NCSALL Reports #1.
- Missouri Department of Elementary and Secondary Education. March 2002. *Missouri Adult Education and Literacy State Plan 2000–2004*. http://dese.mo.gov/divcareered/ael_state_plan.htm (accessed November 2004).
- Missouri Department of Elementary and Secondary Education. *Missouri Adult Education and Literacy Invitation for Bid*. <http://dese.mo.gov/divcareered/grants.htm> (accessed January 2005).
- National Reporting System for Adult Education. March 2001. *Measures and Methods for the National Reporting System for Adult Education: Implementation Guidelines*. Paper prepared for the U.S. Department of Education, Office of Vocational and Adult Education, Division of Adult Education and Literacy. <http://www.nrsweb.org/pubs.asp> (accessed August 29, 2005).
- Neal, J. E. 1995. "Overview of Policy and Practice: Differences and Similarities in Developing Higher Education Accountability." In *Assessing Performance in an Age*

of Accountability: Case Studies (pp. 5–10), edited by G. H. Gaither. San Francisco: Jossey-Bass.

Noland, B., H. Davis, and S. McClendon. November 2000. *Improving Institutional Accountability Through Performance Funding: The Tennessee Experience*. Paper presented at the annual meeting of the Association for the Study of Higher Education at Sacramento, CA.

Ohio Department of Education. *Description of ODE ABL Desk Review*. <http://www.ode.state.oh.us/ctae/adult/ABLE> (accessed November 23, 2004).

Pennsylvania Department of Education. 2004a. *Bureau of Adult Basic and Literacy Education Policy Manual. E150 Performance Funding*. <http://www.able.state.pa.us/able/cwp/view.asp?a=1&Q=39574> (accessed January 12, 2005).

Pennsylvania Department of Education. February 2004b. *Guidelines for WIA, Act 143, and Even Start Grants*. <http://www.able.state.pa.us/able/cwp/view.asp?a=11&Q=42542&ableNav=|2884|> (accessed January 12, 2005).

Personal Communication. August 4, 2005. Cliff Akujobi, Michigan Department of Labor and Economic Growth. (517) 373-4218.

Personal Communication. November 2004/August 4, 2005. Steve Coffman, Director, Adult Education and Literacy, Missouri Department of Education. (573) 751-1249.

Personal Communication. January 6, 2005. Timothy Elwell, Director, Budget and Accountability for Workforce Education, Division of Community Colleges and Workforce Education, Florida Department of Education. (850) 245-9002.

Personal Communication. December 22, 2004. Dianne Glass, Director of Adult Education/State Director for Adult Education, Kansas Board of Regents. (785) 296-7159.

Personal Communication. June 29, 2005. Tara Goodman, Director, Budget and Accountability for Workforce Education, Division of Community Colleges and Workforce Education, Florida Department of Education. (850) 245-9002.

Personal Communication. December 17, 2004. Dr. Jerry Haffner, Assistant Director, Division of Adult Education, Indiana Department of Education. (317) 232-0522.

- Personal Communication. November 2004. Wendi Maxwell, Internal Education Programs Consultant, California Department of Education. (916) 324-7115.
- Personal Communication. December 23, 2004. Cliff Moss, Internal Education Programs Consultant, California Department of Education. (916) 327-6378.
- Personal Communication. January 31, 2004/August 4, 2005. Don Paquette, Division of Regional Programs, Pennsylvania Department of Education. (717) 787-6344.
- Personal Communication. November 23, 2004/August 5, 2005. Denise Pottmeyer, Assistant Director of Career Technical and Adult Education, State Director of Adult Basic and Literacy Education, Ohio Department of Education. (614) 466-5015.
- Personal Communication. December 2004. Terry Pruitt, Senior Associate. Administrative Services, Kentucky Adult Education, Council on Postsecondary Education. (502) 573-1555 Ext. 247.
- Personal Communication. November 18, 2004. Ed Smith, Senior Director for System Finance, Illinois Community College Board. (217) 785-0173.
- Personal Communication. January 6, 2005. Gloria Spradley, Director, Office of Grants Administration, Division of Community Colleges and Workforce Education, Florida Department of Education. (850) 245-9053.
- Personal Communication. January 11, 2005. Sandy Thelen, Michigan Department of Labor and Economic Growth. (517) 373-3395.
- Radin, B. 2001. "Intergovernmental Relationships and the Federal Performance Movement." In *Quicker, Better, Cheaper? Managing Performance in American Government*, edited by D. Forsythe. Albany, NY: The Rockefeller Institute Press.
- Schmidt, P. 1996. "More States Tie Spending on Colleges to Meeting Specific Goals." *The Chronicle of Higher Education*, May 24, 1-5. <http://chronicle.com/prm/che-data/articles.dir/art-42.dir/issue-37.dir/37a02301.htm> (accessed August 29, 2005).
- Schmidt, P. 2002. "More States Tie Aid to Performance, Despite Little Proof That It Works: College Leaders Doubt Their Institutions Improve, but the Systems Are a Fact of Life." *The Chronicle of Higher Education*, February. <http://chronicle.com/weekly/v48/i24/24a02001.htm> (accessed August 25, 2005).

- Seppanen, L. May 1998. *Performance Funding on the Bleeding Edge: No Improvement, No Funding*. Paper presented at the 38th annual forum of the Association for Institutional Research at Minneapolis, MN.
- Serban, A. M., and J. C. Burke. December 1998. "Meeting the Performance Funding Challenge: A Nine State Comparative Analysis." *Public Productivity and Management Review* 22 (2): 157–176.
- Sharma, R. 2002. *Performance-Based Funding in the Entrepreneurial Northern American and Australian Universities: A Study Supported by the (ATEM) Peter Karmel International Travel Grants*. Hawthorn, Victoria: Swinburne University of Technology. http://www.tefma.com/infoservices/papers/2002_AAPPA_Brisbane/R_Sharma.pdf (accessed August 12, 2005).
- Shin, J., and S. Milton. May 26, 2004. "The Effects of Performance Budgeting and Funding Programs on Graduation Rate in Public Four-Year Colleges and Universities." *Education Policy Analysis Archives* 12 (22). <http://epaa.asu.edu/epaa/v12n22/> (accessed August 12, 2005).
- South Carolina Commission on Higher Education. June 2003a. *Performance Funding at a Glance: An Introduction to South Carolina's Performance Funding System*. Columbia, SC: Author.
- South Carolina Commission on Higher Education. July 2003b. *How Does Performance Funding Work in South Carolina?* Columbia, SC: Author.
- South Carolina Legislative Audit Council. June 2001. *A Review of the Higher Education Performance Funding Process*. Columbia, SC: Author.
- State of Michigan. September 30, 2004. *Section 107 of the School Aid Act*. http://www.michigan.gov/mdcd/0,1607,7-122-1680_2798_2803---,00.html (accessed January 11, 2005).
- State of Tennessee. February 2001. *Measuring Performance in Higher Education*. Paper prepared by the Office of Research, Comptroller of the Treasury; Office of Legislative Budget Analysis, Tennessee General Assembly; and, Division of Budget, Department of Finance and Administration.
- U.S. Department of Education. March 2001. *Measures and Methods for the National Reporting System for Adult Education*. Washington, DC: Author. <http://www.nrsweb.org/pubs.asp> (accessed August 29, 2005).

- Van Dyke, J., L. Rudolph, and K. Bowyer. 1993. "Performance Funding." In *Making a Difference: Outlooks of a Decade of Assessment in Higher Education* (pp. 286–293), edited by T. W. Banta. San Francisco: Jossey-Bass.
- Willoughby, K., and J. Melkers. 2001. "Performance Budgeting in the States." In *Quicker, Better, Cheaper? Managing Performance in American Government*, edited by D. Forsythe. Albany, NY: The Rockefeller Institute Press.
- Zarkesh, M., and A. Beas. March 2004. *UCLA Community College Review: Performance Indicators and Performance-Based Funding in Community Colleges*. http://www.findarticles.com/p/articles/mi_m0HCZ/is_4_31/ai_n6146686 (accessed August 12, 2005).

This page intentionally left blank.



Appendix A



SUMMARIES OF STATE FUNDING FORMULAS



California

SERVICE ORGANIZATION

The California Department of Education (CDE) administers California's adult education noncredit courses and high school diploma programs. For the 2004–05 school year, CDE supported program services in 496 agencies. Service providers include adult schools located in public school districts, public community colleges that have CDE grants funded under Workforce Investment Act (WIA) Title II, community- and faith-based organizations, county offices of education, state agencies, and libraries. Community colleges also provide noncredit courses in some areas and operate through memoranda of understanding (MOU) with adult schools to prevent duplication of efforts.

FEDERAL AND STATE RESOURCES ALLOCATION

Federal: 100 percent allocated based on performance criteria, with preliminary grant awards of 60 percent of prior year funding to support start-up activities. 100 percent grant award calculated based upon previous year's final data. Final grant awards are announced in winter of current funded year. Payments are made quarterly.

State: 100 percent allocated as base funding determined by average daily attendance (a.d.a.) at adult schools and full-time equivalents (FTE's) at the community college level.

In 2003–04, California allocated a total of \$624,251,326 in combined state and federal funding for adult education services. Of this amount, \$577,775,000 came from state and \$46,476,326 from federal sources (92.6 percent and 7.4 percent of total statewide expenditures, respectively). Overall, the state allocated \$46,476,325 using performance criteria, roughly 7 percent of total statewide expenditures for adult education.¹³

FORMULA OPERATION

The state allocates state aid for adult education based on fundable a.d.a. and accumulated seat time. Community colleges fund based on FTE's.

Federal resources are allocated using a pay-for-performance approach: payments are generated through student literacy points called payment points or benchmarks. An agency earns a payment point for each student who in the prior year has the following:

¹³Data contained in this profile are self-reported by the state and their accuracy has not been verified. Data are for general descriptive purposes related to this study only.

- ⦿ Tracking of Programs and Students (TOPSpro) entry record.
- ⦿ Comprehensive Adult Student Assessment System (CASAS) standardized pretest.
- ⦿ CASAS standardized posttest.
- ⦿ TOPSpro update record.

Students also must have achieved a significant gain or an advancement of two instructional levels; passed a Citizenship Interview Test; passed the Government and History test; passed an English Literacy/Civics (EL Civics) Civic Participation Additional Assessment; passed the GED test; or attained a high school diploma.

There is a cap on the number of payment points awarded per student, based on the program in which a student is enrolled. New providers or programs are funded using a formula based on the statewide payment point average and agencies' negotiated enrollment figures for that program.

ISSUES OF NOTE

The California legislature has considered moving to an adult education funding system that allocates all state and federal resources using performance-based criteria. They have abandoned this strategy due to concerns over the anticipated cost of implementing and administering such a system.

In addition, as one local agency administrator observed, agencies receiving federal funds invested substantial resources in modifying their data collection and management information systems to conform to Adult Education and Family Literacy Act reporting requirements. Since 95 percent of the federal funds are required to be used for student support, this expenditure prompted complaints that too great a share of a provider's additional outside resources were being used to monitor outcomes. Ultimately, agencies have come to realize that the investment of time and resources in their data collection has paid off in the development of stronger student-centered programs.

Although past investment by local providers has helped lay the groundwork to support the use of performance-based funding to distribute state resources, administrators do not believe that there is sufficient fiscal and data collection ability among local providers, nor the political will statewide, to support adoption of this approach at this time. The state is currently piloting the development of "content standards" in Career-Technical Education programs that may one day serve as a basis for instituting performance-based funding using state funds for CDE's Adult Education.

Sources

California Department of Education. <http://www.cde.ca.gov/sp/ae/fg/funding04faq.asp> (accessed November 18, 2004).

Personal Communication. November 2004. Wendi Maxwell, Internal Education Programs Consultant, California Department of Education. (916) 324-7115.

Personal Communication. December 23, 2004. Cliff Moss, Internal Education Programs Consultant, California Department of Education. (916) 327-6378.



Florida

SERVICE ORGANIZATION

Adult education in Florida is administered by the Florida Department of Education, with program services offered in local school districts, community colleges, community-based organizations, libraries, correctional institutions, and one university. Of the roughly half-million adult education participants in 2004–05, nearly 90 percent were served by local school districts.

FEDERAL AND STATE RESOURCES ALLOCATION

Federal and state resources are used to support both base and performance funding at local school districts and community colleges. Federal resources comprise roughly 8 percent of total state spending on adult education services.

In 2003–04, Florida allocated a total of \$288,993,062 in combined state and federal funding for adult education services. Of this amount, \$266,191,501 came from state and \$22,801,561 from federal sources (92.1 percent and 7.9 percent of total state-wide expenditures, respectively).

State funding for adult education accounted for \$266,191,501 of this total, with resources for School District Programs generated from the State Appropriation for Workforce Development (\$203,442,187), and funding for Community College Programs generated from the Community College Program Fund (\$62,100,501). Postsecondary expenditures include funding for tuition/fees (\$20,947,918) along with adult basic education services (\$41,801,396). For the purpose of this report, the combined figure was used.¹⁴

FORMULA OPERATION

Prior to a mid-year budget reduction in 2001–02, Florida allocated funding to school districts and community colleges using a formula contained in the state's Workforce Development Education Fund (WDEF). For each fiscal year since 1996–97, the state guaranteed eligible local providers 85 percent of their prior year's funding, awarded as a base allocation. The remaining 15 percent of funding was considered "at-risk" because programs had to earn it back each year based on their performance.

Performance funds were based on the number of program points a provider earned relative to the total number of statewide points generated using the state workforce

¹⁴Data contained in this profile are self-reported by the state and their accuracy has not been verified. Data are for general descriptive purposes related to this study only.

development formula. For example, a provider accounting for 8 percent of the WDEF points would qualify for 8 percent of the total state funding allocated for a program category. The dollar amount attached to a point varied over the years, depending upon the availability of federal and state funding.

Performance points were weighted using a nine-category scale that assigned greater weight to hard-to-serve clients. Performance factors included:

- ⦿ *Completion.* Points were awarded for each adult who achieved a literacy completion point, with points weighted for relative effort (adult general education), program length (vocational certificates) or program completion (Associate in Science), and whether a completer is from a targeted population.

- ⦿ *Placement.* Points were awarded for each job placement, weighted by wage.

Beginning in 2002–03, the WDEF funding formula was no longer used to allocate adult education funding. Funds for local school districts were instead allocated pro rata based on prior year funding. Funds for community college adult education programs were returned to the community college system budget, where they are allocated to institutions pro rata according to a formula that takes into account several institutional components, including the number of students enrolling in classes.

In 2004, the state legislature adopted new funding criteria requiring that school districts and community colleges allocate 90 percent of adult education and workforce funds based on prior year allocations, with the remaining 10 percent at risk based on performance outcomes. The issue of how to distribute resources subject to the statutory requirement of a 90/10 split for base and performance funding has not yet been resolved internally by the Department of Education.

To distribute new funding, although the state has not achieved the 10 percent requirement that is currently in statute, performance funding continues to be distributed using weighted completions and placements in school district, adult, and career-technical programs. For 2005–06, \$5 million was distributed based on the three-year average of weighted completions and placements; the main difference from prior year funding is that there is currently no funding at risk each year (i.e., no one has to “earn back” a percentage of their funding through performance). However, the state continues to use the “learning gains” measures developed under the old performance-based funding approach to evaluate institutional performance.

Sources

Florida Community Colleges and Workforce Education, Financial and Business Services. June 3, 2004. *Resource Allocation Funding Model*. Tallahassee, FL.

Council for Education Policy, Research and Improvement. January 2004. *A New Emphasis and Funding Methodology for Adult and Career Education: Report and Recommendations*. <http://www.cepri.state.fl.us/project%20index%20by%20year.html> (accessed August 12, 2005).

Personal Communication. June 29, 2005. Tara Goodman, Director, Budget and Accountability for Workforce Education, Division of Community Colleges and Workforce Education, Florida Department of Education. (850) 245-9002.

Personal Communication. January 6, 2005. Timothy Elwell, Director, Budget and Accountability for Workforce Education, Division of Community Colleges and Workforce Education, Florida Department of Education. (850) 245-9002.

Personal Communication. January 6, 2005. Gloria Spradley, Director, Office of Grants Administration, Division of Community Colleges and Workforce Education, Florida Department of Education. (850) 245-9053.

ISSUES OF NOTE

In January 2004, as part of a review of WDEF formula operations, the state's Council for Education Policy, Research, and Improvement, a citizen board charged with reviewing and providing independent analysis on education progress, released a report recommending changes to the WDEF allocation formula. The panel noted that under the current system, institutions cannot determine in advance the performance gain they must make to earn their at-risk funds, since the value of a performance point is not calculated until after state funds have been allocated and institutional outcomes generated.

Performance points vary over time, due in part to weighting factors attached to student characteristics. These weights have inflated the number of performance points awarded, meaning that a greater number of points are generated than there are students in the system. For example, a targeted student who is economically disadvantaged, disabled, and limited English proficient would be weighted 4 times more than a nontargeted student. This can make the connection between formula criteria and actual student outcomes less clear.

Awarding base funding as a percentage of prior year funding (i.e., the WDEF's 85 percent base funding component) can also introduce inequities over time due to demographic changes. While programs experiencing rapid enrollment growth may qualify for additional performance funding, the relatively small amount of funding allocated for performance may not offset the absolute increase in students, meaning that a program's per-student funding may decline over time. Conversely, programs with shrinking enrollments may be overcompensated relative to their enrollment.



SERVICE ORGANIZATION

The Illinois Community College Board administers adult education, with program services offered in 40 Area Planning Councils composed of local school districts, community colleges, community-based organizations, regional offices of education, one university, and the Illinois Department of Corrections.

FEDERAL AND STATE RESOURCES ALLOCATION

In 2003–04, Illinois allocated a total of \$50,344,001 in combined state and federal funding for adult education services. Of this amount, \$34,243,500 came from state and \$16,100,501 from federal sources (68.0 percent and 32.0 percent of total statewide expenditures, respectively). Overall, the state allocated approximately \$10,478,511 in state funding using performance criteria, roughly 21 percent of total statewide expenditures for adult education.¹⁵ Federal resources were not distributed using performance-based funding.

FORMULA OPERATION

In response to recommendations contained in a 2004 report by the Illinois Community College Board Adult Education and Family Literacy Funding Study Task Force, the state has adopted a new statewide funding formula that will be implemented in the 2005–06 program year. One unique feature of this approach is that it combines a base funding level with both performance-based and incentive-based funding provisions. Specific formula factors include:

- ⊙ Base Funding
 - *Index of Need*—funds distributed to regional Area Planning Councils based on relative need, weighted by population characteristics
 - *Foundation Component*—resources to offset the higher costs associated with smaller programs
 - *Program Excellence Award*—to agencies with high quality programs
 - *Units of Instruction*—proportional funding for instructional units
 - *Enrollment Component*—proportional funding for student enrollment

- ⊙ Performance Funding
 - *Meeting Benchmarks*—**performance** funding for providers who make continuous improvement for each performance indicator, based on a three-year rolling average

¹⁵Data contained in this profile are self-reported by the state and their accuracy has not been verified. Data are for general descriptive purposes related to this study only.

- *Exceeding Benchmarks*—**incentive** funding for providers who exceed their benchmark

To qualify for performance funding, local providers are rewarded for increasing their learner outcomes over time. Under the proposed plan, in the first and second years of operation, providers receive a performance award determined by their current level of performance. In the third and subsequent years, providers are awarded performance funds based on the percentage of the performance benchmark they achieve; for example, a program that achieves 80 percent of its benchmark would receive only 80 percent of its performance funding.

Programs that exceed their performance benchmark earn additional financial incentives for exceptional performance. This incentive funding is limited to no more than 5 percent of a program's total performance funding allocation for a given year, and consists of one-time allocations that do not roll over from year to year.

The following performance indicators were used to allocate state-appropriated performance dollars for FY 2005 and before (periods before and including July 1, 2004 to June 30, 2005).

Sources

Illinois Community College Board. May 2004. *Adult Education and Family Literacy Funding Study Task Force Report*. <http://www.iccb.state.il.us/HTML/adulted/adulted.html> (accessed November 23, 2004).

Illinois Community College Board. *FY05 Program Allocations: Methods and Assumptions*. <http://www.iccb.state.il.us/HTML/what/sysfin.html#publications> (accessed August 25, 2005).

Illinois Community College Board. *FY05 Allocations for Distribution*. http://www.iccb.state.il.us/HTML/pdf/adulted/FY05_Allocations_for_Distribution.pdf (accessed August 25, 2005)

Personal Communication. November 18, 2004. Ed Smith, Senior Director for System Finance, Illinois Community College Board. (217) 785-0173.

- ⊙ *Public Aid Reductions*—number of Public Aid clients served whose Temporary Assistance for Needy Families (TANF) benefits were reduced because of increased income
- ⊙ *Secondary Completion*—number of learners whose electronic records matched the database of GED records and high school diplomas
- ⊙ *Level Completions*—number of instructional levels completed by learners as computed from test scores, vocational completions, and citizenship completions
- ⊙ *Test Score Gains*—sum of test score points between pre- and post-tests
- ⊙ *Persistence*—number of learners whose attendance rate was above the average for their instructional category

The 2004 task force recommended deleting the Public Aid Reduction and Persistence factors because they felt these were less performance/educational measures than the others. Therefore, effective with the July 1, 2005 to June 30, 2006 program year, the state performance funds will be allocated solely based on Secondary Completions, Level Completions, and Test Score Gains.

ISSUES OF NOTE

No issues were noted.



SERVICE ORGANIZATION

Adult education in Indiana is administered by the Indiana Department of Education, with program services in 2004 offered by local providers organized into 43 comprehensive program districts. Local providers within a district may consist of local school districts, state colleges, and community-based organizations. A total of 70 general educational development (GED) testing sites also exist.

FEDERAL AND STATE RESOURCES ALLOCATION

Federal: 100 percent allocated as a Base + Enhancement + Performance + Incentive.

State: Each eligible provider is allocated 90 percent of its prior year expenditures or, for new programs, a base amount set at the close of the first full year of operation.

In 2003–04, Indiana allocated a total of \$21,311,358 in combined state and federal funding for adult education services. Of this amount, \$14,000,000 came from state and \$7,311,358 from federal sources (65.7 percent and 34.3 percent of total statewide expenditures, respectively). Overall, the state awarded \$180,237 as enhancement grants, \$835,986 in performance and \$224,997 in incentive awards totaling \$1,123,294, roughly 5 percent of total statewide expenditures for adult education.¹⁶

FORMULA OPERATION

Federal funds are allocated as a Basic Grant Award determined by three components:

- ⊙ *Base*—Districts receive 90 percent of their 1999–2000 base budget.
- ⊙ *Performance*—Number of district achievements, calculated by summing the number of students who
 - completed a level and who completed and advanced to a higher level.
 - entered employment, retained employment, obtained a GED or secondary school diploma, and entered postsecondary education or training.
 - achieved work-based project learning goal, left public assistance, achieved citizenship skills, increased involvement in their children’s education or literacy activities, voted or registered to vote, and increased involvement in community activities.

¹⁶Data contained in this profile are self-reported by the state and their accuracy has not been verified. Data are for general descriptive purposes related to this study only.

- in family literacy programs, advanced an educational functioning level, entered or retained employment, obtained a secondary diploma or GED, entered postsecondary education or training, and increased involvement in their children’s education or literacy activities.
- in workplace literacy programs, advanced an educational functioning level, entered or retained employment, obtained a secondary diploma or GED, and enrolled in postsecondary education or training.
- in corrections programs, advanced an educational functioning level, entered or retained employment, obtained a secondary diploma or GED, and entered postsecondary education or training.

- ⦿ *Incentive*—Additional funding for districts meeting state-negotiated performance standards for 15 measures associated with different adult education outcomes (e.g., Beginning Literacy ABE (0-1.9); entered employment).

State funds are allocated as a Basic Grant Award equal to 90 percent of a school corporation’s expenditures for 1992 or, for new programs, a base amount established at the close of the first full year of operation. This baseline remains constant unless a school corporation’s expenditures fall below its base during a given term; when this occurs, the reimbursement becomes the new base. Any remaining appropriation resources or new dollars added by the Indiana General Assembly are distributed on the basis of enrollments, such that over time a greater percentage of the appropriation is based on demand (enrollment growth or decline).

ISSUES OF NOTE

To ensure that local providers maintain high-quality programs, the state has established benchmarks for quality programs. Programs failing to meet the benchmarks are required to submit local improvement plans that address the deficiency. Regional consultants from the Division of Adult Education also work with programs to address deficiencies. If measurable improvement is not shown within six months, the director of adult education assigns a State Technical Assistance Team with expertise in the areas of need. This team provides additional assistance, monitors progress, and recommends whether program funding should continue.

Guiding principles used to evaluate programs include:

- ⦿ *Educational Gains*—learner progress toward attaining basic skills and competencies that meet their educational needs.

- ⊙ *Educational Outcomes*—learners advance in the instructional program by setting and meeting core performance measures.
- ⊙ *Retention*—learners remain in the program to achieve educational goals.
- ⊙ *Recruitment*—programs recruit populations with identified needs.
- ⊙ *Program Orientation*—services, procedures, and policies reflect a commitment to developing basic and functional literacy skills.
- ⊙ *Program Planning, Administration, and Evaluation*—programs have a process in place to support operations.
- ⊙ *Curriculum and Instruction*—instructional services are geared to individual needs and learning styles according to current research and practice.
- ⊙ *Support Services*—programs identify learners’ needs and assist in determining how these options can be offered directly or through referral to other agencies.
- ⊙ *Professional Development*—programs have a plan for ongoing professional development that addresses staff needs and includes opportunities for practice.
- ⊙ *Technology*—programs integrate technology in the classroom, professional development, and administration.

Sources

Indiana Department of Education. <http://doe.state.in.us/adulted/welcome.html> (accessed December 17, 2004).

Personal Communication. December 17, 2004. Dr. Jerry Haffner, Assistant Director, Division of Adult Education, Indiana Department of Education. (317) 232-0522



Kansas

SERVICE ORGANIZATION

The Kansas Board of Regents administers adult education, with services offered in 31 technical and community colleges, local school district adult learning centers, two community-based organizations, and a university. Before the introduction of performance funding, 36 programs offered services.

FEDERAL AND STATE RESOURCES ALLOCATION

Federal: 100 percent allocated based on performance criteria.

State: 50 percent allocated as base funding and 50 percent as performance-based funding.

In 2003–04, Kansas allocated a total of \$4,504,233 in combined state and federal funding for adult education services. Of this amount, \$1,048,998 came from state and \$3,455,235 from federal sources (23.3 percent and 76.7 percent of total statewide expenditures, respectively). Overall, the state allocated approximately \$3,979,734 using performance criteria, roughly 88 percent of total statewide expenditures for adult education.¹⁷

FORMULA OPERATION

To distribute state and federal funds equitably among programs whose grant applications have been approved, the Kansas Board of Regents has adopted a performance-based funding approach that allocates both federal and state resources using competitive criteria.

The goals of the system are: (1) to incorporate core performance measures and indicators of quality in funding decisions; (2) to establish a minimum funding level so that all adult education programs have an adequate base on which to maintain and build quality services; and (3) to encourage programs to serve adult learners at the five lowest educational functioning levels of the National Reporting System (NRS) (two lower ABE levels and three lowest ESL levels) effectively.

Each fiscal year, 50 percent of state adult education resources are evenly divided as base funding among all funded programs in the state. Remaining state and federal resources are distributed according to providers' performance relative to the rest of the state. For example, a program accounting for 5 percent of statewide outcomes on

¹⁷ Data contained in this profile are self-reported by the state and their accuracy has not been verified. Data are for general descriptive purposes related to this study only.

a given factor would qualify for 5 percent of the total funding allocated for this factor. Performance criteria used to allocate resources include:

- ⦿ *Learner Outcomes.* Fifty percent of federal funds are allocated based on the number of successful learner outcomes, with educational gain outcomes doubled for learners in the five lowest educational functioning levels of the NRS (two lower ABE levels and three lowest ESL levels).
- ⦿ *Program Quality.* Fifty percent of state and 50 percent of federal funds are allocated based on the number of quality points a program receives relative to the statewide total of quality points generated that year.

In the first year of using this formula (2000), the state based funding on the number of participant hours for those at the five lowest levels (i.e., having a CASAS score of 210 or below). Beginning in the second year, the participant level criterion was replaced with learner outcomes criteria, which included completing educational level, entering employment, retaining employment, receiving GED, entering postsecondary education or training, acquiring U.S. citizenship skills, increasing involvement in children's education, and increasing involvement in children's literacy activities (Kansas Board of Regents 2000a).

ISSUES OF NOTE

State administrators conduct a comprehensive annual review of all 31 local providers to ensure that local data are accurate and reflect program operations. Monitoring extends to visiting classes and reviewing individual student transcript data. This process is expensive, but considered necessary to maintain the integrity of the funding process. Data checks are also performed to identify programs with outcomes significantly varying from the statewide average, and intensive technical assistance is provided to program staff to assist them in identifying programs needing support. Frequently, data problems occur because data collection policies are not being followed correctly.

The state is continually reassessing its formula to improve funding system effectiveness. For example, in the past it was noted that small providers with high-quality programs had no incentive to grow. The state subsequently added a growth factor into its quality point structure to reward small programs that demonstrated a commitment to serving more undereducated adults in the community. Every two years, state administrators also use existing data to go back and reassess the performance standards.

Sources

Kansas Board of Regents. June 2000a. *Kansas Four-Year State Plan: Adult Education and Family Literacy*. http://www.kansasregents.org/adult_ed/about.html (accessed August 12, 2005)

Kansas Board of Regents. June 2000b. *Indicators of a Quality Adult Education Program Including Standards and Measures*. http://www.kansasregents.org/adult_ed/about.html (accessed August 12, 2005)

Personal Communication. December 22, 2004. Dianne Glass, Director of Adult Education/State Director for Adult Education, Kansas Board of Regents. (785) 296-7159.

Three key issues affecting performance funding include:

- ⦿ *Data Collection*—the management information system used to collect data must be reliable.
- ⦿ *Checks and Balances*—provider funding should reflect actual performance, so the system must be continually reviewed to make sure that local provider data are accurate and that the desired outcomes are being achieved.
- ⦿ *Equity*—new systems should not punish smaller, high-quality programs. Typically, larger programs get more money than smaller ones, but the system should not put small programs out of business.



SERVICE ORGANIZATION

Adult education in Kentucky is administered by the Kentucky Adult Education Council on Postsecondary Education, with program services offered in all 120 counties by local boards of education, community and technical colleges, community-based organizations, education consortia, public and private nonprofit organizations, and correctional institutions.

Federal funds are used to support adult education programs at local jails, detention centers, halfway houses, and state prisons in 56 counties. Special programs are also provided for inmates at state prisons and participants in Kentucky's Job Corps Centers. The Kentucky Community and Technical College System provides services at 12 state prisons, while the Kentucky Job Corps of the U.S. Department of Education supplies students with free, online access to curriculum and support services.

FEDERAL AND STATE RESOURCES ALLOCATION

In 2003–04, Kentucky allocated a total of \$13,576,383 in combined state and federal funding for adult education services. Of this amount, \$7,470,502 came from state and \$6,105,881 from federal sources (55.0 percent and 45.0 percent of total statewide expenditures, respectively). Overall, the state allocated approximately \$971,165 using performance criteria, roughly 7 percent of total statewide expenditures for adult education.¹⁸

FORMULA OPERATION

The state allocates its state and federal adult education funding among counties as a needs-based grant: each county qualifies for a basic grant, which is provided to a single provider selected through a competitive process. Funds are allocated based on the number of people at low levels of literacy (Levels I & II) with a minimum funding level of \$30,000 for ABE services. Within counties, each provider operates one or more satellite programs throughout the county to meet the unique learning needs of its target population.

Providers may qualify for a state-funded incentive grant if they meet or exceed the following state-defined enrollment goals and performance measures:

- ⦿ *Enrollment*—meet 100 percent of the annual state enrollment goals for adult populations (currently set at 10.5 percent of the identified county target population).

¹⁸Data contained in this profile are self-reported by the state and their accuracy has not been verified. Data are for general descriptive purposes related to this study only.

Sources

Kentucky Adult Education Council on Postsecondary Education. April 1, 2004. *Kentucky State Plan for Adult Education and Family Literacy 2004–05*. http://adulthood.state.ky.us/Announcements/KY_Revised_State_Plan_6-28-04.doc (accessed December 17, 2004).

Kentucky Department of Adult Education. December 2004. *Annual Report to the Office of Vocational and Adult Education*. http://adulthood.state.ky.us/Final%20Report/KYAE_Annual_Report_OVAE,%201-04-05.doc (accessed January 13, 2005).

Personal Communication. December 2004. Terry Pruitt, Senior Associate, Administrative Services, Kentucky Adult Education, Council on Postsecondary Education. (502) 573-1555 Ext. 247.

- ⊙ *Performance*—meet at least 50 percent of the key performance (NRS) indicators across 15 performance areas.

Failure to meet enrollment goals and/or performance measures over a two- to three-year period may result in a termination of the contract.

Kentucky provided nearly \$1 million in performance incentive funding to 91 counties in the 2003–04 program year. These counties met or exceeded annual enrollment goals and at least 50 percent of the NRS core performance indicators. The amount of performance incentive funding is based on a percentage of each county's base funding. In addition, counties that have earned performance incentives for the four years the funding has been available were designated as the "Top 40" counties.

ISSUES OF NOTE

Kentucky Adult Education annually conducts random comprehensive performance and financial audits of a minimum of 25 percent of Kentucky's adult education programs. Over a period of four years, all programs are audited. The audits consist of performance and financial reviews. Results of the audit are used as a financial practices and program improvement tool.



SERVICE ORGANIZATION

The Michigan Department of Labor and Economic Growth administers adult education, with services offered by more than 250 local providers spread across 25 Workforce Development Board regions. Approximately 50 percent of Michigan's local public school systems operate adult education programs, along with intermediate school districts, community colleges, correctional institutions, and nonprofit organizations. These organizations may operate individually or as part of a consortium.

FEDERAL AND STATE RESOURCES ALLOCATION

In 2003–04, Michigan allocated a total of \$32,110,552 in combined state and federal funding for adult education services. Of this amount, \$20,000,000 came from state and \$12,110,552 from federal sources (62.3 percent and 37.7 percent of total statewide expenditures, respectively). Overall, the state allocated approximately \$2,000,000 using performance criteria, roughly 6 percent of total statewide expenditures for adult education. Note that federal allocations include resources allocated to support EL/Civics education, and therefore estimates of federal contributions to adult education may overstate actual allocations in support of basic adult education instruction.¹⁹

FORMULA OPERATION

Funding is allocated as follows:

A. Federal Allocation Process

Under current law, federal funds are first distributed across Workforce Development Board regions using the following formula:

- ⊙ Thirty-four percent of the available funds multiplied by the proportion of the Family Independence Agency caseload in the local Workforce Development Board region compared with the statewide Family Independence Agency caseload.
- ⊙ Thirty-three percent of the available funds multiplied by the proportion of persons in the local Workforce Development Board region over age 17 without a high school diploma compared with the statewide total of persons over age 17 without a high school diploma.

¹⁹Data contained in this profile are self-reported by the state and their accuracy has not been verified. Data are for general descriptive purposes related to this study only.

- ⦿ Thirty-three percent of the available funds multiplied by the proportion of persons in the local Workforce Development Board region over age 17 for whom English is not a primary language compared with the statewide total of persons over age 17 for whom English is not a primary language.

Within regions, eligible grantees received continuation grants for the 2004–05 program year. To qualify, grantees submitted a 2003–04 final report detailing the number of FTE students served across programs, along with an analysis of program performance, strategies for improvement, and a final budget.

B. State Allocation Process

Districts and consortia that received funding in 2003–04 are eligible for funding in the 2004–05-program year at a rate of \$2,850 per FTE participant in a 450-hour program. This amount is proportionately reduced for a program offering less than 450 hours of instruction.

Agency funding in 2004–05 was capped at the 2003–04 total allocation; unspent funds from agencies no longer operating or operating at less than their 2003–04 level of funding are proportionately reallocated to other districts at year-end.

The actual amount of a local provider’s state allocation is determined by the following formula:

- ⦿ *Full-time Equivalent Enrollment*—90 percent of the total funding is allocated to the provider for the enrollment of eligible participants.
- ⦿ *Performance Outcomes*—10 percent of the total funding is awarded for these participant outcomes: (1) completion of adult basic education objectives by achieving an increase of at least one grade level of proficiency in reading or mathematics; (2) achievement of basic English proficiency; (3) passage of the GED test; (4) passage of a course required for a high school diploma; or (5) completion of the course and demonstrated proficiency in the academic skills taught in the course, as applicable.

Performance-based funds are proportionately reduced to local providers for each participant who does not achieve a given outcome, and these funds are reallocated among other providers.

ISSUES OF NOTE

To ensure that performance data are accurate, the state conducts a desk audit of 100 percent of local providers and on-site monitoring visits to 20 percent of local providers each year.

Sources

State of Michigan. September 30, 2004. *Section 107 of the School Aid Act*. http://www.michigan.gov/mdcd/0,1607,7-122-1680_2798_2803---,00.html (accessed January 11, 2005).

Personal Communication. January 11, 2005. Sandy Thelen, Michigan Department of Labor and Economic Growth. (517) 373-3395.

Personal Communication. August 4, 2005. Cliff Akujobi, Michigan Department of Labor and Economic Growth. (517) 373-4218.



Missouri

SERVICE ORGANIZATION

The Missouri Department of Elementary and Secondary Education, Division of Career Education, administers adult education and literacy services offered in 45 programs throughout the state. Services are provided by local school districts, community colleges, and community-based organizations.

FEDERAL AND STATE RESOURCES ALLOCATION

In 2003–04, Missouri allocated a total of \$9,940,000 in combined state and federal funding for adult education services. Of this amount, \$2,040,000 came from state and \$7,900,000 from federal sources (20.5 percent and 79.5 percent of total statewide expenditures, respectively). Overall, the state allocated approximately \$1,340,000 using performance criteria, roughly 13 percent of total statewide expenditures for adult education.²⁰

FORMULA OPERATION

Core Funding

The core funding formula provides the bulk of Missouri’s adult education and literacy (AEL) funding through a formula driven by instructional time. The funds are distributed to contractors on a contact-hour basis and are intended to support “core” instructional and operational activities.

To maintain a fair and equitable funding formula, the “core” must be sufficient to support basic program operations. Therefore, core funding calculations will be based on the previous four years’ totals of audited contact hours. Fifty percent of the calculation will be based on each local program’s total number of audited contact hours from the previous year. The remaining 50 percent of the calculation will be based on each local program’s previous three-year average (preceding the previous year) of the total number of audited contact hours.

Example:	12,000	FY 2004 Total Audited Contact Hours
	<u>× \$1.35</u>	50% of the \$2.70 Core Funding Rate
	\$16,200	

²⁰Data contained in this profile are self-reported by the state and their accuracy has not been verified. Data are for general descriptive purposes related to this study only.

Example—	11,000	FY 2003 Total Audited Contact Hours
Continued:	10,000	FY 2002 Total Audited Contact Hours
	<u>9,000</u>	FY 2001 Total Audited Contact Hours
	10,000	3-Year Average
	<u>× \$1.35</u>	50% of the \$2.70 Core Funding Rate
	\$13,500	
	\$29,700	Total Core Funding for FY 2006

Performance Funding

Roughly 13 percent of program funding is provided as performance funding supported with federal and state resources. The performance funding formula is based on the number of individuals who attained success through adult education programs and services. The best measures of student progress are related to established performance measures. The recognized measures are GED Attainment and Literacy Level Advancement. The performance funding is calculated from the total number of individuals multiplied by the attainment rate for each performance measure.

THE PERFORMANCE FUNDING CALCULATOR			
Levels of Advancement	Amount	Students Advancing	Total
AEL Level 1 Completion	\$200	0	\$0
AEL Level 2 Completion	\$150	0	\$0
AEL Level 3–5 Completion	\$75	0	\$0
ESL Level 1 Completion	\$250	0	\$0
ESL Level 2 Completion	\$175	0	\$0
ESL Level 3–5 Completion	\$100	0	\$0
Total Federal Performance	\$0		
Total State Performance	\$0		
Total Performance Funding	\$0		

Targeted Allocations

Additional allocations are established to assist in enhancing programming and services. The following is a description of the current allocations and their funding basis:

- ⊙ *Data Collection*—The allocation supports data collection and management expenditures, based on each local AEL program’s previous three-year average of enrollment numbers.

Sources

Missouri Department of Elementary and Secondary Education. *Missouri Adult Education and Literacy Invitation for Bid*. <http://dese.mo.gov/divcareer/grants.htm> (accessed January 2005).

Personal Communication. November 2004/August 4, 2005. Steve Coffman, Director, Adult Education and Literacy, Missouri Department of Education. (573) 751-1249.

- ⦿ *Distance Learning*—A portion of the allocation supports equipment, connectivity, and software, based on each local AEL program's previous three-year average of total expenditures. Another portion of the allocation supports distance learning teacher training and salaries.
- ⦿ *One-Stop*—The allocation supports operational costs of the One-Stop Career Centers, based on the previous year's AEL class site participation.
- ⦿ *Supplemental Literacy*—The allocation supports trained volunteer tutors for participants at the lowest educational functioning levels, based on the previous year's tutor participation.

ISSUES OF NOTE

No issues were noted.



SERVICE ORGANIZATION

The Ohio Department of Education, Office of Career-Technical and Adult Education, administers adult education, with services offered in 136 programs in 2002–03. Services are offered in public school districts and career and technical centers, community colleges and universities, community- and faith-based organizations, and state-administered agencies.

FEDERAL AND STATE RESOURCES ALLOCATION

In 2003–04, Ohio allocated a total of \$22,867,449 in combined state and federal funding for adult education services. Of this amount, \$8,108,812 came from state and \$14,758,637 from federal sources (35.5 percent and 64.5 percent of total state-wide expenditures, respectively).²¹

FORMULA OPERATION

The original state formula allocated funding based on Census data; over time, however, funds have been institutionalized so that providers receive a grant based on their previous year's allocation, adjusted for the availability of federal and state funds. Funding to new providers is capped.

ISSUES OF NOTE

The state has introduced a *Desk Review* that, for the past two years, has been used to determine which local programs receive performance-based incentive dollars. The Desk Review rates programs on the following:

- ⊙ *Student Achievement*—This measure has three sections focusing on factors related to student performance and the reporting of those achievements. These include student completion of educational functioning levels and attainment of postsecondary education, employment, GED, and family literacy goals. This section accounts for 67 percent of the overall rating.
- ⊙ *Achievement of FY 2004 Requirement*—This measure focuses on requirements included in the state's General Assurances. These include submissions of interim and annual reports, data for matching, Individual and Program Professional Development Plans, Learning Disability Policy and Planning Guides, Schedule A, and

²¹ Data contained in this profile are self-reported by the state and their accuracy has not been verified. Data are for general descriptive purposes related to this study only.

Sources

Ohio Department of Education. *Description of ODE ABLE Desk Review*. <http://www.ode.state.oh.us/ctae/adult/ABLE> (accessed November 23, 2004).

Personal Communication. November 23, 2004/August 5, 2005. Denise Pottmeyer, Assistant Director of Career Technical and Adult Education, State Director of Adult Basic and Literacy Education, Ohio Department of Education. (614) 466-5015.

others. It also includes attendance at specific meetings and events. This section accounts for 33 percent of the overall rating.

The state piloted an initial Desk Review system in the 2002–03 program year and introduced a revised system for 2003–04. The state allocated 1 percent (\$174,845) of its federal resources in 2003–04 using performance criteria, with all state resources allocated as a basic grant.



SERVICE ORGANIZATION

The Pennsylvania Department of Education, Bureau of Adult Basic and Literacy Education, administers program services offered through 159 providers throughout the state (FY 2004–05). Services are provided at local education agencies, literacy councils, state correctional institutions, community colleges, community-based organizations, libraries, faith-based organizations, and universities.

FEDERAL AND STATE RESOURCES ALLOCATION

In 2003–04, Pennsylvania allocated a total of \$35,772,880 in combined state and federal funding for adult education services. Of this amount, \$18,534,000 came from state and \$17,188,880 from federal sources (51.9 percent and 48.4 percent of total statewide expenditures, respectively).²²

BACKGROUND INFORMATION ON PERFORMANCE FUNDING

The Workforce Investment Act (WIA) of 1998 required the Bureau of Adult Basic and Literacy Education to issue multi-year federal contracts. Consequently, adult education providers were funded through Master Agreements (MAs) for five years that were put in place in program year 1998–99. Distribution of grant funds was on a competitive basis with quality of application, evidence of cooperation and coordination with other local adult education providers, nonduplication of services, previous history, research-based instructional practices, service to adults most in need, and other factors dictated by the pertinent legislation weighing in the funding decision.

The Bureau ran a three-year grant award competition for all funds for community-based organizations beginning in fiscal year 2000–01 and ending in fiscal year 2002–03 and used the last three years of the five-year Master Agreement as the funding mechanism. This technique placed all funded agencies on the same five-year MA that expired on June 30, 2003.

Ordinarily, all funded agencies would have executed new MAs and competed for new multi-year grants beginning in July 2003, but the WIA expired in September 2003. This made it illegal to issue multi-year grants, since the authority for the funding expired before the end of the grant contract period. Therefore, agencies funded through the existing multi-year contracts did not compete for funds in fiscal year 2003–04, but merely had current contracts extended for one year. The Bureau determined allocation levels for fiscal year 2004–05 based on the availability of funds and

²² Data contained in this profile are self-reported by the state and their accuracy has not been verified. Data are for general descriptive purposes related to this study only.

the agency's prior year's performance. Since the state's budget was reduced, agencies with the lowest ranking had the most funds cut from their prior year's allocation.

The Bureau will not hold a competition for funds for fiscal year 2005–06. Allocation levels will be based on the availability of funds and the prior year's performance of agencies. To do this, the state plans to review local provider performance on 10 performance standards (including all five National Reporting System core outcomes), using a three-year weighted average of provider performance for program years 2001–04. The final score for an agency will be their average performance score for each of the last three program years. Based on a review of provider performance, local agencies will be ranked and funding decisions made.

PERFORMANCE FUNDING POLICY

In Pennsylvania, state standards for adult education (and family literacy) programs establish measures and levels of performance that support National Reporting System (NRS) performance measures, standards, and negotiated annual performance targets. Performance funding data is drawn from several sources. Contracted performance is reported in the e-Grant web-based system and actual performance in the e-Data web-based system. Administrative reporting is recorded as dates that reports are received or returned. Data from these systems are annually aggregated by the Bureau and reported to local programs/agencies, which then have 30 days to verify their accuracy.

Purpose

The purposes of performance funding are to

- ⦿ Promote decision making at the state and local levels in providing quality services to adult learners and families. The Bureau's funding decisions are based on an evaluation of program performance data, availability of funds, and priority of services.
- ⦿ Promote data-driven continuous program improvement based on performance against the state standards. Local programs/agencies are expected to use their data to inform ongoing program improvement activities.

Performance Funding

Performance funding procedures are used by the Bureau to fund adult education and family literacy programs, offer financial incentives for higher performing programs to

serve additional adults and/or families, and establish specific consequences for underperforming agencies in the form of warnings, probation, funding reductions, and, if necessary, contract termination.

The Bureau's evaluation of program performance data against the state standards results in an Administrative and Performance Factor that determines each agency's ranking. This ranking is used to determine specific agency funding levels, contingent upon availability of funds.

Performance Incentives

- ⦿ Programs meeting all of the state standards will be eligible for expansion funds, if available.
- ⦿ Programs ranking in the top 33 percentile, which meet or exceed the enrollment standard, are eligible for expansion funds, if available.

Performance Consequences

- ⦿ *Warning Letter*—Issued to programs judged to have weaknesses based on performance data.
- ⦿ *Probation Letter*—Issued to programs that have received one or more Warning Letters and continue to underperform.
- ⦿ *Funding Cut*—Issued to programs failing to improve while on “Probationary Status.”
- ⦿ *Program Termination*—Issued to programs, when necessary, after three years on “Probationary Status” and insufficient indication of improvement.

Adult Education Performance Standards

The adult education performance formula that will be used to evaluate administrative and program performance and make funding decisions includes the following areas of performance:

ADMINISTRATIVE PERFORMANCE STANDARDS

1. *Administrative Reporting*: Each adult education program provider will submit 100 percent of the reports required by the grant contract and/or the Bureau Grant Applications Procedures and Program Guidelines on time. This includes only the Final Expenditure Report, which is due to the Bureau in hard copy (although prepared electronically via e-Grant) by August 30th.

2. *Enrollment:* Students will achieve enrollment status after a minimum of 12 hours of instruction. Each adult education program provider will enroll a minimum of 95 percent of the adults contracted for in the grant application.

PROGRAM PERFORMANCE STANDARDS

3. *Retention:* Each adult education program provider will retain enrolled students for an average of 50 hours of instruction (12 hours to achieve enrollment, plus an additional 38 hours).
4. *Pretest:* Each adult education program provider will submit a pretest score for a minimum of 95 percent enrolled students. The GED Tests or the Official GED Practice Tests will count as a pretest for those students in the High Adult Secondary Education Level with the goal of gaining the GED.
5. *Pretest/Posttest:* Each adult education program provider will submit a validly matched pretest and posttest result for a minimum of 50 percent of the students enrolled. A record of the GED Tests in the ABLE file of GED test records will count as the posttest for those students in the High Adult Secondary Education Level with the goal of gaining the GED who also have an earlier practice test or actual test recorded as a pretest.
6. *Educational Gains:* Individual student progress in basic skills or ESL must be assessed after at least 50 hours of instruction. Agencies should follow the 50-hour posttest guideline; however, they may choose to test individual students outside of this parameter based on individual student circumstances and teacher discretion. The use of a standardized instrument with two forms, one for the pretest and one for the posttest, must measure individual student progress. For the following instruments, the minimum average level of gains that a program's students are expected to achieve are:

TABE: increase in a scaled score of at least 35 points in Reading, 41 points in Total Math, or 30 points in Language; or

BEST: increase in a scaled score of at least 12 points on the section that is administered—12 points on the Oral Interview Section (Short Form B is not acceptable) or 12 points on the Literacy Skills Section; or

BEST Plus: increase in a scaled score of at least 12 points. Only the Oral Skills version has been upgraded and improved; or

CASAS: increase in a scaled score of at least 5 points in reading or listening; or at least 6 points in math on CASAS Life Skills Survey Achievement Pre-test-Posttest or the Employability Competency System Pretest-Posttest.

7. *GED Achievement*:²³ 46 percent of students enrolled at a High Adult Secondary Education Functioning Level with a goal of passing the GED or obtaining a high school diploma and who exit during the program year will pass the GED or earn a high school diploma.
8. *Placement in Unsubsidized Employment*:²⁴ 38 percent of learners who were not employed at enrollment and have a goal of obtaining employment will obtain unsubsidized employment.
9. *Retention in Unsubsidized Employment*:²⁵ 46 percent of learners who have a goal of retaining employment or advancing in employment will have retained unsubsidized employment in the third quarter after the program exit quarter.
10. *Placement in Postsecondary Education or Training*:²⁶ 39 percent of learners who have a goal of advanced education or training and who exited during the program year will enroll in postsecondary education or an occupational skills training program.

Sources

Pennsylvania Department of Education. 2004a. *Bureau of Adult Basic and Literacy Education Policy Manual. E150 Performance Funding*. <http://www.able.state.pa.us/able/cwp/view.asp?a=1&Q=39574> (accessed January 12, 2005)

Pennsylvania Department of Education. 2004b. *Guidelines for WIA, Act 143, and Even Start Grants*. <http://www.able.state.pa.us/able/cwp/view.asp?a=11&Q=42542&ableNav=2884> (accessed January 12, 2005)

Personal Communication. January 31, 2004/August 4, 2005. Don Paquette, Division of Regional Programs, Pennsylvania Department of Education. (717) 787-6344.

²³ This standard for GED achievement will be calculated by a state-level data match procedure whereby the Social Security Numbers of all adults who are enrolled at the High Adult Secondary Education Functioning Level and have a goal of obtaining a high school credential and who exited during the program year will be extracted from e-Data and will be matched to the statewide GED database. To allow for processing delays, credentials awarded on or before August 31 of the subsequent year will be counted. Programs funded to assist learners in attaining a local high school diploma should continue to report the attainment of the diploma in e-Data.

²⁴ This standard will be calculated by a state-level data match procedure whereby the Social Security Numbers of all adults meeting the above criteria related to employment status, goal, and exit date from e-Data will be matched to the Unemployment Compensation database to produce employment placement outcomes.

²⁵ This standard will be calculated by a state-level data match procedure whereby the Social Security Numbers of all adults who meet the two sets of above criteria related to employment status, goal, and exit date will be extracted from e-Data and will be matched to the statewide Unemployment Compensation database to produce employment retention outcomes.

²⁶ This standard will be calculated by a state-administered survey of local programs. Social Security Numbers of students who have a goal of advancing to postsecondary education or occupational skills training will be extracted from e-Data, and those learners will be surveyed to determine if they have entered such programs.

This page intentionally left blank.



Appendix B



SEARCH TERMS AND RESEARCH DATABASES

BOOLEAN LOGIC STATEMENTS

Search Terms	Google	Yahoo	ERIC	Academic Search Premier	Business Search Premier	EconLit
"Performance-based funding"	15,700	6,510	14	28	5	4
"Performance-based funding" + "adult education"	754	394	2	1	0	0
"Performance-based funding" + "higher education"	14,400	1,580	47	20	5	2
"Performance-based funding" + business + industry	7,520	830	1	0	0	0
"Performance funding" + "higher education"	8,840	5,160	124	23	2	0
"Performance funding" + "adult education"	697	376	5	0	0	0

Title search performed on all shaded categories

RESEARCH DATABASES

Academic Search Premier

The world's largest academic multidisciplinary database, *Academic Search Premier* provides full text for nearly 4,700 publications, including full text for more than 3,600 peer-reviewed journals. Coverage spans virtually every area of academic study and offers information dating as far back as 1975. This database is updated on a daily basis via EBSCOhost.

Business Source Premier

As the world's largest full-text business database, *Business Source Premier* provides full text for nearly 7,600 scholarly business journals and other sources, including full text for more than 1,100 peer-reviewed business publications. Coverage includes virtually all subject areas related to business. This database provides full text (PDF) for

more than 350 of the top scholarly journals dating as far back as 1922. This database is updated on a daily basis via *EBSCOhost*.

ERIC

ERIC, the Education Resources Information Center, contains more than 2,200 digests, along with references for additional information and citations and abstracts from over 980 educational and education-related journals.

EconLit

EconLit, the American Economic Association's electronic database, is the world's foremost source of references to economic literature. The database contains more than 630,000 records covering 1969–present. *EconLit* covers virtually every area related to economics.