OVAE Customized Technical Assistance to States

Action Plan: Performance-Based Funding for Oregon's *Perkins* Reserve Fund

Prepared under contract to
Office of Vocational and Adult Education,
U.S. Department of Education

MPR Associates, Inc.
2150 Shattuck Avenue, Suite 800
Berkeley, CA 94704

Contact
Laura Rasmussen
Amanda Richards
510-849-4942

September 2010

MPR ASSOCIATES, INC.
innovative research • practical solutions

Contents

Introduction

During its 2009 Perkins IV monitoring visit to Oregon, staff from the U.S. Department of Education, Office of Vocational and Adult Education (OVAE) noted that the state may not be using its Reserve Fund in the most effective manner and that it was difficult to determine how these dollars were being used to support and increase student performance. Oregon requested technical assistance (TA) in 2009 to ensure its Reserve Funding is adding value and distributing resources in the most effective way possible. OVAE subsequently approved technical assistance to explore the potential for a performance-based funding (PBF) system that employs the resources available through the Reserve Fund.

The technical assistance process

MPR designed Oregon's technical assistance project as an in-depth exploration of the process used to design and implement a PBF formula. Conference calls, two webinars, and a one-day workshop offered opportunities for researchers to collaborate with a small team of state and local staff to investigate PBF, the steps involved in implementing PBF, and Oregon's circumstances in relation to adopting PBF. The technical assistance activities did not require the state to make any final decisions about developing or implementing a PBF formula, or specifics about the process it might use to do so.

Initial conference calls provided an opportunity to ascertain what the state already knew about PBF and its potential interest in and commitment to a PBF system. MPR tailored subsequent TA calls and activities to Oregon's specific interests and needs.

MPR and Oregon state staff held a webinar to explore the basics of PBF. The webinar included information regarding the potential purpose of PBF, its possible components, and the key steps of developing a PBF formula. Information from the webinar provided the foundation for a one-day workshop.

Researchers designed the workshop as an in-depth exploration of eight key steps in a PBF system development process and included a brief review of the background information shared in the webinar. State administrators from the Oregon Department of Education (ODE) and the Oregon Department of Community Colleges and Workforce Development (CCWD) attended the workshop, along with the director of the Oregon Community College Unified Record System (OCCURS) and the CTE regional coordinator for High Desert Education Service District.

Based on the workshop discussions, MPR staff developed four sample formula models to share with the state. The purpose of sharing sample models was not to create a final formula, rather to illustrate how Oregon could someday design and customize a PBF formula that reflects its unique circumstances. MPR modeled four different types of formula approaches that predicated funding on the number of outcomes and/or targets met on sample performance measures and how the state might incorporate incentive grants based on surpassing a minimum threshold of performance.

This Action Plan is designed as a resource for the state should staff decide to move forward in implementing PBF for the state's Reserve Fund in the future. It outlines a recommended process, based on information gleaned through the TA webinars and workshop, and includes tools the state can modify and apply to a future PBF effort.

PBF Context

What is PBF?

PBF systems allocate some or all of available federal and/or state program resources based on outcomes and performance results. States have implemented PBF formulas for adult basic education (ABE) and university systems, and recently a small number of states have begun designing PBF formulas for their CTE systems. PBF takes a variety of forms, although it generally rewards local providers who meet or exceed state-established performance thresholds. In some cases, PBF formulas may sanction providers who fall short of their targets by reducing or eliminating their funding.

PBF components

Depending upon the state and program, PBF formulas might include two primary elements:

1. ***Base funds*** are the guaranteed resources providers receive, regardless of program performance and learner outcomes.
2. ***PBF funds*** are any resources allocated to CTE providers based on student or program performance or achievement of state-defined goals.

Base funds for Oregon are the majority of the federal funds allocated through the Perkins formula (i.e., Basic Grant). To allocate base funds, the Perkins funding formula considers enrollment and the number of individuals living in poverty for secondary education and enrollment and the percent of students receiving Pell or Bureau of Indian Affairs grants for postsecondary education. Most of Oregon's base funding is allocated at the consortia level and the fiscal agent for each consortium distributes funds to member districts and institutions. These funds are not under consideration as part of a PBF formula.

PBF funds for Oregon may be some or all of the state's Reserve Funds. Oregon is considering distributing at least a portion of its Perkins Reserve Fund through PBF as an amount that providers may receive in addition to base funding. The state already distributes Reserve Funds to 18 consortia based on two elements that reflect a degree of performance: (1) secondary CTE concentrators who complete high school or earn an equivalent credential, and (2) postsecondary certificate and degree completion rates from the Oregon Key Performance Measures.[1] Reserve Fund awards range from $20,000 to $230,000. Each year,

[1] Oregon consortia are composed of high schools, school districts, education service districts, and community colleges.

use of the Reserve Fund is targeted at one of Oregon's Core Elements,[2] and the state offers relevant professional development to support this Core Element. The state has notified local providers that it is considering changes to the use of its Reserve Funding and that providers should not consider Reserve Funds as guaranteed funding in future years.

Rationale for PBF

Oregon is interested in ensuring that its Perkins funding, in particular the Reserve Fund, adds value to Perkins programs. While it has focused significant attention on using Perkins funds for innovation and to improve performance, the state believes PBF may promote even greater attention to accountability for investments in CTE.

Through work with other states that are implementing PBF for postsecondary, ABE, or CTE systems, MPR has found commonalities in the reasons states develop PBF formulas.

1. Equity—Offer all eligible recipients, regardless of program size or characteristics, the opportunity to earn their share of PBF resources.
2. Accountability—Increase the emphasis on performance.
3. Program improvement—Improve operations by spurring creativity and innovation in order to improve student success.

Oregon team members related their interest in each of these areas, noting that there are inherent differences among districts, institutions, and consortia that must be acknowledged in any PBF formula. There also is a concern that small, rural programs cannot compete for a meaningful piece of the Reserve Fund in the current formula. State staff repeatedly emphasized the importance of promoting innovation in their programs, noting that Reserve Fund disbursements in the past few years total millions of dollars. The team noted that an emphasis on accountability encourages state and local providers to accurately plan and document and share results with each other and with policymakers.

[2] Oregon's four Core Elements of a Program of Study are (1) Standards and Content, (2) Alignment and Articulation, (3) Technical Skill Assessments, and (4) Student Support Services.

Benefits and challenges

States have articulated numerous benefits and challenges of PBF systems. No state will experience every benefit and challenge, but the following are common themes articulated by states.

System Elements	Benefits	Challenges
Data	Improves Data Quality • Fiscal incentive for accuracy and completeness • Data used to support goals	Requires Consistent and High Quality Data • May require more data collection and/or analysis • Requires data auditing
Operations	Enhances System Effectiveness • Program incentives aligned with statewide goals	Increases Workload in Short Term • Requires time for planning and adoption • May have to realign state policies and practices to support implementation
Funding	Increases Political Support • Greater credibility among state legislators and the public • More willingness to fund programs	Shifts Established Funding Patterns • Can lead to funding changes among providers • May require additional resources to offset provider losses
Teaching and Administration	Promotes Instructor Professionalism • Prompt training to address identified weaknesses • Instructors are accountable for program and student outcomes	Introduces Uncertainty and Change • Can raise concern or ire of administrators and instructors • Providers may be reluctant to accept funding shifts in exchange for improved statewide system

During discussions, the Oregon team mentioned the need to work at all levels on how to use data effectively, noting that secondary and postsecondary instructors, CTE regional coordinators, and administrators may benefit from more awareness about how to use data to improve programs. The team also noted other advantages to data usage, including identifying program strengths and weaknesses, promoting student achievement, supporting program management, allocating resources; and planning.

The state team anticipates some resistance as funding mechanisms change and as the state and local providers set new expectations for outcomes. Some local CTE positions are still partially funded through Reserve Funds, although the state has been successful in identifying and reducing this practice over the last several years.

The Steps of Developing a PBF Formula

The following eight steps are important milestones in the development of a PBF formula. They are presented here in an intentional order. The process is iterative, however, so several steps may happen concurrently during an actual development process and some will be repeated.

Step 1: Establish state commitment

Any state considering adopting a PBF formula will go through a process of assessing "political will" and potential support among CTE providers and other stakeholders. The course of that evaluation may differ depending on state circumstances. For example, a state agency that decides to introduce the concept to local providers may need to take a different approach from another state agency that is directed to adopt PBF by policymakers.

Common initial considerations include:

- State policy and legislative context
- Timing (e.g., other major statewide initiatives, changes in state government, changes in legislation)
- Resources

Once a state has identified the major issues it will need to consider, it can take the following steps:

- Establish awareness and understanding of PBF
- Build support in agency, across state agencies, with partners, with schools, districts, and institutions; with legislators, Boards, and policymakers
- Determine key stakeholders to participate in formula development process and implementation

ODE has already introduced the concept of PBF to local CTE providers and CTE regional coordinators, and will continue to share information and resources with them. The state noted the importance of confirming the commitment as a joint effort between ODE and CCWD, and confirming that key decision makers in both agencies will support the concept, process, and eventual outcome. ODE and CCWD also will need to inform the State Board of Education, the policymaking body for both agencies, and solicit feedback and guidance from Board members. Developing a new formula would require changing the state plan, which would require Board approval.

The state will face challenges in modifying how the Reserve Fund is distributed, especially since some salaries have been linked to it in the past. For now, the state is sending the message that "changes are coming to the Reserve Fund" and making the field aware that ODE and CCWD are exploring the possibility of PBF. Team members noted that the state has spent $3 million in Perkins Reserve Funds in the past several years, and will continue its efforts to spend resources deliberately and in ways that support program and student success.

The economic climate is a major consideration for the state. In May 2010, every state agency had to cut 10 percent of its budget. The state released another revenue estimate in August, which showed an estimated $377.5 million budget shortfall, which could lead to further budget reductions. State agencies have cut key resources and require employees to take furlough days, further reducing the time available for staff to spend on new initiatives. Resources are shrinking at the local level as well, and ODE and CCWD will need to assess whether investing the time to develop and implement a PBF formula is feasible given these limitations.

ODE is currently modifying and refining its secondary Perkins data collection system and anticipates it will have a more reliable and valid means of collecting, analyzing, and reporting student and program data in the 2010 –11 academic year. The state would prefer to base any PBF formula on data obtained through the new data system, and is considering whether to wait until a new year of data are available, or whether it will recalculate results of past years using the new database protocols and standards.

The team also noted that the Perkins legislation is due to sunset at the end of the 2012 –13 academic year. Team members noted that they would like to be poised to align work on many fronts, including PBF, with potential changes to the reauthorized legislation.

Step 2: Convene task force

Convening an effective, knowledgeable, and credible task force is essential when developing and implementing a PBF formula. The construct of task forces vary; some states report that as state agencies, they have the authority to design and introduce PBF without involving local providers. Other state systems require the involvement and input of many different stakeholders. Important considerations for the task force include:

- Will representatives from the field and other stakeholder groups be part of the task force? Why or why not?

- What role (e.g., advisory, approval) will the task force play in developing the formula?

Oregon has a history of collaborative policy development in CTE. A recent example is the process the state used to develop its 5 year Perkins plan, which involved ODE convening representatives from multiple state agencies, local CTE providers, education service districts, education consortia, community colleges, business and industry, the university system, and the governor's office. These individuals comprised four task forces that crafted recommendations that laid the foundation for the plan (Oregon Department of Education and Oregon Department of Community Colleges and Workforce Development, 2008).

The state team discussed the possibility of drafting a formula to present to the field, questioning whether the small amount of money involved would warrant asking stakeholders to invest their limited time in participating on a task force. State staff appeared to lean toward wider involvement, however, noting that part of the process of building credibility for and buy-in to any new policy requires involving those who will implement it from the beginning. State team members indicated it would likely rely on the task force as an advisory body, while all final decisions would rest with the state. If Oregon chooses to convene a task force, it will address the following action items.

Identify an effective task force and appropriate task force members

To convene an effective task force, Oregon will want to consider what size group is appropriate for the activity. Including representatives from the stakeholder groups the state identified earlier is important, as is limiting the number of participants to a size that can work together effectively.

- Communicate task force roles and responsibilities
- Plan effective task force meetings

The makeup of the task force is equally important; members must represent a variety of perspectives while bringing with them key skills and attributes.

- Able to look beyond own program and experience to see statewide needs
- Respected by peers for integrity and professional judgment
- Able to participate actively, communicate respectfully, stay informed, and comment on task force work
- Understands the state CTE system and goals
- Aware of state and federal accountability and performance requirements

Communicate roles and responsibilities

The state team also will need to define the roles and responsibilities of the task force, and communicate that information clearly and frequently to members. Other states report that task force members are responsible for

- understanding the components of a PBF system, including benefits and challenges;
- participating in all PBF activities, including in-person meetings, webinars, and conference calls;
- representing the needs of local programs and the state CTE system in task force discussions;
- identifying state funding priorities and recommending funding criteria;
- reviewing funding formula models; and
- endorsing the final funding formula and supporting the state in introducing the new funding system.

Plan an effective development process

All state agencies have extensive experience convening and facilitating effective task forces. There are, however, several important steps worth highlighting that will support a successful development process. States report it is helpful to

- map out a timeline with interim milestones and final deadlines for the development process;
- decide in advance how many in-person and virtual meetings to hold;
- establish meeting agreements and formula guiding principles with the task force;
- prepare meeting agendas that include specific meeting goals and activities to support those goals; and
- share meeting summaries that highlight proposals, decisions, and next steps.

Before beginning discussions about a PBF formula or specific components, some states have found it helpful to establish a formal set of "guiding principles" for the formula. These principles capture what the task force and other stakeholders expect from a formula. In essence, they are the criteria that will be used to determine if a formula is acceptable or not.

Each state will identify guiding principles that are relevant to its situation. The following are examples of guiding principles used by other states.

- Simple—Uses existing student data
- Transparent—Demonstrates how funding is allocated and why
- Equitable—Acknowledges appropriate provider characteristics
- Purposeful—Promotes state goals
- Defensible—Relies on high quality data
- Sustainable—Functions effectively without constant review and modification
- Dynamic—Allows for changes in circumstance

According to the Oregon state team, while simplicity is important, using existing student data is currently a challenge. As noted above, ODE is revising its secondary data collection and reporting system, and expects to have a more robust system available beginning in the 2010-11 year. Postsecondary CTE data issues also may contribute to challenges with data quality and comparability. The state works with community colleges on an ongoing basis to increase the consistency of definitions, promote accurate data reporting, and support closer working relationships between CTE program and data staff.

The team also noted that they would put high priority on the principle of transparency, believing that any formula should be easy to understand and explain. To more easily explain the formula, the state may wish to develop a conceptual framework document that describes the PBF formula, its elements, and its purpose. Such a document will be easier to share and discuss with interested stakeholders. Transparency can be difficult to achieve, however, especially at the consortia level. Some consortia have discretion in how funds are allocated to members, and if so, that distribution may not align with performance at the provider level.

Step 3: Specify state goals and funding priorities

Any PBF formula will be founded on the goals for and expectations of a state's CTE system. Examples of state goals may be "Provide access to CTE regardless of geographic location" or "Support student achievement." If the state CTE system has not already articulated its goals, one of the first responsibilities of a task force is to identify state goals. For states that have a set of goals, the task force may need to pare the list down to those that are most important to target.

After identifying the state goals, the task force will categorize the goals into funding priorities. Funding priorities are the key concepts that underlie the state goals. Examples are "Access," "Student Success," and "Program Quality." The task force will then rank the priorities in order of highest to lowest importance. The "Establishing State Priorities

Worksheet" in Appendix A can be used during a task force meeting to facilitate the dialogue around state goals and funding priorities.

It is important to take time to set or clearly articulate goals and funding priorities with the task force. They are the touchstones for the entire process, and every state will return to them repeatedly to ensure their formula work supports the goals and priorities.

The Oregon team shared that it may be interested in aligning its goals and any future PBF formula with the principles recently adopted by the National Association of State Directors of Career Technical Education Consortium (NASDCTEc) (NASDCTEc, 2010). The principles are:

- CTE is critical to ensuring that the United States leads in global competitiveness.
- CTE actively partners with employers to design and provide high-quality, dynamic programs.
- CTE prepares students to succeed in further education and careers.
- CTE is delivered through comprehensive programs of study aligned to The National Career Clusters framework.
- CTE is a results-driven system that demonstrates a positive return on investment.

The state also is interested in aligning a PBF formula with its four core elements of a program of study, which are (1) Standards and Content, (2) Alignment and Articulation, (3) Technical Skill Assessments, and (4) Student Support Services. The state will also consider whether the goals conversation will focus on all CTE activity in Oregon, or only for Perkins.

The state team participated in a practice activity to experience how the dialogue around state goals and priorities might happen with a larger taskforce. The team's goals do not reflect any final decisions, but are referenced as examples in the remainder of this Action Plan to illustrate how goals and priorities are used in the development process. The team identified three priorities.

1. Interconnectedness
2. Completion
3. College and career readiness

Step 4: Analyze current funding system

Once the task force has defined its goals and funding priorities, it is helpful for the entire group to compare them to the current funding formula. By reviewing how the state currently allocates funds, task force members can begin to see what the current formula promotes, whether it aligns with the state goals and priorities, and identify any gaps between the current allocation methods and state priorities to be addressed in the PBF formula. The process of reviewing the allocations to providers also generates information about the unique issues and inherent differences among providers that should be considered in the PBF formula.

The state can prepare for this activity by compiling a recent year's allocation, enrollment, and outcomes data into a spreadsheet. The data may be presented in a variety of ways, but should attempt to illustrate connections among these three key elements. One approach is to calculate the percentage of funding allocated to each provider, the percentage of positive outcomes generated by individual providers, and the percentage of total CTE concentrators each provider serves (Exhibit 1).

Exhibit 1. Sample Table: Prior Year Formula Allocations, Enrollment, and Outcomes

Grant Recipient Name	Perkins Allocation	% Funds	Total Outcomes	% Outcomes	$/Outcome	Total Concentrators	% Concentrators	$/ Concentrator
A	B	C	D	E	F	G	H	I
	Total funding allocated to providers in previous program year	Pro rata distribution of state funds	Number of positive outcomes generated by providers	Pro rata distribution of outcomes	Column B divided by D	Number of concentrators	Pro rata distribution of concentrators	Column B divided by M
District A	$80,000	4.3%	187	2.0%	$428	206	2.5%	$388
District B	$65,000	3.5%	347	3.8%	$187	290	3.6%	$224
District C	$110,000	5.8%	681	7.4%	$162	745	9.2%	$148
District D	$59,000	3.1%	277	3.0%	$213	201	2.5%	$294
District E	$195,000	10.4%	1,171	12.7%	$167	916	11.3%	$213
Community College 1	$80,000	4.3%	329	3.6%	$243	285	3.5%	$281
Community College 2	$147,000	7.8%	648	7.0%	$227	506	6.2%	$291
Community College 3	$105,000	5.6%	266	2.9%	$395	330	4.1%	$318
Community College 4	$145,000	7.7%	756	8.2%	$192	616	7.6%	$235
Community College 5	$260,000	13.8%	1,267	13.8%	$205	1,150	14.1%	$226
Consortium V	$230,000	12.2%	329	3.6%	$699	285	3.5%	$807
Consortium W	$65,000	3.5%	648	7.0%	$100	506	6.2%	$128
Consortium X	$90,000	4.8%	266	2.9%	$338	330	4.1%	$273
Consortium Y	$140,000	7.4%	756	8.2%	$185	616	7.6%	$227
Consortium Z	$110,000	5.8%	1,267	13.8%	$87	1,150	14.1%	$96
State Totals	$1,881,000	100.0%	9,195	100.0%	$205	8,132	100.0%	$231

The data in this table were created by MPR Associates; they are not Oregon state or local grantee data.
Postive outcomes are the successful outcomes on all measures selected for presentation by the state.

The advantage to this approach is its simplicity: by presenting data without much analysis, the state and providers can begin to talk broadly about the effects of the formula and what might be influencing the relationships seen here. There are three helpful questions to discuss during this step.

1. Are priorities reflected in the formula?

2. What CTE system characteristics could contribute to the results?

3. What findings were surprising?

For example, why would Consortium V receive 12.2 percent of funding but serve only 3.5 percent of CTE concentrators? Is Consortium V very small and located in a rural area, or does it serve an at-risk population of students? How is Consortium Z able to serve 14.1 percent of CTE concentrators and generate 13.8 percent of all positive outcomes, while receiving 5.8 percent of statewide allocations?

During the mock workshop discussion, Oregon noted that rural districts and colleges may have lower enrollment and less capacity, but may need additional support to maintain their programs. There may also be differences in the type and amount of investment providers make in support services, counseling, career guidance, etc. Oregon has not decided what level of provider would be eligible to receive funding through the PBF formula (e.g., consortia level or individual provider level).

Step 5: Define criteria for allocating resources

The next step of the process is to identify performance criteria that align with and support the goals and funding priorities identified in Step 4. The performance criteria are the specific measures and indicators, along with an allocation approach for determining performance awards, that are the framework of any PBF formula.

The state may have determined the amount of funding that will be allocated through the PBF formula prior to convening the task force. If not, then the state and task force will need to begin this step by determining the amount of resources that will be available. This decision is important because distributing a small amount of resources through a formula that contains many criteria may not be an effective way of promoting state funding goals. In contrast, distributing a large amount of funding through a formula that uses only one or two performance criteria may not allow providers to compete equally for resources. In addition, the amount should be large enough to provide meaningful rewards to high-performing programs of all sizes, with the selected performance criteria clearly in support of the state's definition of high performance. While Oregon has not yet made decisions regarding potential PBF allocations, the state currently distributes Reserve Funds using a base of $15,000 for each consortium. The remaining Reserve Funds are allocated using the two performance measures noted on p. 3.

As a task force begins to focus on the criteria for the formula, it may be helpful to consider several overarching questions.

1. What criteria will promote the goals and funding priorities?
2. Will all providers be able to compete on a level playing field?
3. Do the performance results represent reality?
4. Will stakeholders and the field support the criteria and formula design?

There are several types of measures of performance that a task force could include in a PBF formula, such as student outcomes, program outcomes, and process indicators.

- Student outcomes: Positive student outcomes in a particular area, such as graduating high school or obtaining employment.
- Program outcomes: Positive program results, such as exceeding the negotiated performance target on a Perkins accountability measure.
- Process indicators: State quality indicators regarding program development, such as establishing at least one program of study.

These different measures can be incorporated into the formula using a variety of strategies, depending upon the state's preferences.

- Consider the number of student, program, or process outcomes and indicators generated by local providers.
- Evaluate whether the local provider has met, exceeded, or made substantial progress toward performance targets for student, program, and process indicators.
- Provide incentive awards for local providers who met minimum state-established performance thresholds.

States might also consider weighting elements of their formula to reflect differences in programs, student populations, or other factors. Some states have found it helpful to engage in a group activity with the task force to begin identifying criteria. The activity can be done as a large group or in small groups, and involves outlining each potential measure or indicator and assessing its strengths and weaknesses, the degree to which it aligns with state goals, and the potential data sources needed for the measure (see the next section for more information about data sources). The "Formula Design Worksheet" in Appendix B can be used to facilitate the activity.

The Oregon team identified three priorities during the Step 3 activity: Interconnectedness, Completion, and College and Career Readiness. The team engaged briefly in the activity to identify criteria that would align with these priorities, and a summary of this discussion is included in (Exhibit 2).

Exhibit 2. Oregon Sample Formula Design Activity

Funding Criteria	Pros	Cons	Alignment with State Priorities	Data Source, Availability, Reliability
3S1—Completion of secondary diploma, GED, or equivalent	Provides rewards for meeting performance (Student outcome)	Doesn't apply to postsecondary	Completion	Data are available and reliable
Meet requirement that college and district boards have policies that say certain cross-sector activities will happen (written evidence)	Promotes regional collaboration and facilitation Program size not a factor (Process indicator)	No indication of student achievement	Interconnectedness	No current process, would need to develop process to evaluate policies
Number of providers with job descriptions for new hires; require high school teachers to be qualified to teach dual credit	Promotes program quality and teacher professionalism (Process indicator)	Does not measure performance	Interconnectedness	Hard to measure without auditing documents
Number of students enrolled in dual credit	Promotes cross-sector collaboration (Program outcome)	Larger providers may have an advantage	Interconnectedness	Data are available and reliable

Step 6: Identify appropriate data sources

As the task force identifies funding criteria, one of the issues it will consider is the data that will be used to evaluate each criterion. While many measures provide interesting benchmarks for performance, some data are harder to obtain or are less reliable. For example, Oregon's suggestion to assess cross-sector policies among district and college boards may be an appropriate measure of Interconnectedness, but the state does not currently collect these data, and would likely need to request that local providers send in documentation proving that these policies exist. When evaluating the availability and reliability of data, the task force may wish to consider the following questions.

1. What is the source of the data?
2. How are the data collected and reported to the state?

3. How old are the data?
4. Are the data available for every provider?
5. Are the data reliable at the state and local level?
6. Does the reporting cycle for the data align with the funding cycle?

During discussions, the Oregon team noted that while it has data for both the secondary and postsecondary sectors, it is currently refining its secondary system and expects to have more reliable data for the 2010-11 year. The state also engages in an ongoing collaboration with community colleges to continually review and improve data quality.

Step 7: Model alternative formulas

Once the task force sets the framework for the formula, the state can begin developing several model formulas. It may be helpful to model various scenarios—based on the performance criteria and other decisions that have been made—so that the task force can evaluate the effects of different approaches. Researchers created four sample formula models to share with the Oregon team, using the results of the workshop discussion to illustrate how Oregon could someday design and customize a PBF formula. The sample models predicated funding on the number of outcomes or targets that local providers met on sample performance measures and presented a scenario for how the state might incorporate incentive grants based on surpassing a minimum threshold of performance.

Oregon is interested in the possibility of developing a narrative document—perhaps incorporating a flowchart—that will accompany and explain a future PBF formula. The state may also be interested in buffering the effects of drastic changes in circumstances by averaging performance over time. The team also noted the importance of a formula that is sustainable over time and does not require frequent or major changes.

Step 8: Considerations for implementation

Finally, the task force will need to address related funding and performance issues that cannot be resolved through the formula, such as determining performance awards for new providers or responding to fluctuations in federal or state funding. There also may be issues that could pose challenges for implementation, and states should identify these and be mindful of them throughout the development process. The following list provides several examples, although not all will apply to every state.

- Does the state have a credible process for auditing data?

- What training is required for key stakeholders, including local program directors, to understand and participate in the PBF system?
- Do the state's policies regarding underperforming programs align with the formula (i.e., do providers have sufficient time to implement improvement plans, if necessary)?
- How will the formula be rolled out over time? Will it be phased in over several years, or implemented all at once?
- How will the formula accommodate new or changing providers or service areas?
- What will happen if federal funding fluctuates up or down?
- Should the formula include a harm or gain limit, so programs do not lose or gain too much all at once?

Conclusion

The technical assistance process provided an opportunity for a small state leadership team to explore the process of developing a PBF formula in greater depth. Although the team did not make any final decisions regarding a PBF formula, it expressed interest in sharing the results of this project with stakeholders and continuing to investigate the feasibility of a CTE PBF formula. The process described in this report, and the tools and activities that support the process, may serve as resources for any future PBF efforts in Oregon. Several key issues may be particularly important to Oregon if the state chooses to develop a PBF formula.

- Oregon is interested in ensuring that its Perkins funding, in particular the Reserve Fund, adds value to Perkins programs. The state and any task force it chooses to convene will need to define its "values" as goals and funding priorities, and carefully evaluate any formula against those benchmarks.
- The Oregon team pointed out a need for more professional development around using data effectively. While a PBF formula may encourage instructors and administrators to pay more attention to data, they may still need assistance in interpreting and using those data. The state may wish to provide opportunities for local providers to learn how to analyze and apply their data to improve student and program outcomes if it introduces a PBF formula.
- The state will need to identify the best time to develop and implement any PBF formula, given the current economic climate, the future reauthorization of Perkins, and ODE's current efforts to refine the secondary CTE data collection system.

References

NASDCTEc. (2010, March 18). *Reflect, Transform, Lead: A New Vision for Career Technical Education.* Retrieved August 23, 2010, from www.careertech.org: http://www.careertech.org/uploaded_files/2010_Vision_Paper_0r.pdf

Oregon Department of Education and Oregon Department of Community Colleges and Workforce Development. (2008, February). *Oregon State Plan for Career and Technical Education: 2008-2013.* Retrieved August 20, 2010, from www.ode.state.or.us: http://www.ode.state.or.us/teachlearn/pte/stateplan2008-2013.pdf

Appendix A: Establishing State Priorities Worksheet

Establishing State Priorities Worksheet

Performance-Based Funding for *Perkins* Reserve Funds
U.S. Department of Education, Office of Vocational and Adult Education
MPR Associates, Inc.

Background

Clarifying state goals and priorities for state career and technical education (CTE) services is an essential step in designing a performance-based funding (PBF) system. By taking the time to articulate your ***state goals*** for CTE, you can ensure that your funding system aligns with and supports these goals. This worksheet models an activity that your state can perform with your PBF task force to define the state goals and ***funding priorities*** that will guide PBF formula development.

Instructions

Articulate State Goals: Under Step 1, make a list of your current state goals for CTE. These may already be outlined in your Perkins 5-year state plan or another statewide plan for CTE. To guide your discussions, consider the following questions:

- What is our state's mission for CTE?
- What goals support this mission?

Categorize Goals into Funding Priorities: After you've completed your list, proceed to Step 2, which involves classifying the goals into broader funding priorities. Next, arrange your list of goals in the order of highest to lowest priority. To guide your discussions, consider the following questions:

- Are these goals quantifiable and objective?
- Are all goals equally important?
- What goals should our PBF formula address?

The final step, Step 3, asks you to reflect on how your current funding system aligns with your list of priorities.

- What does your current formula criteria promote? Discourage?
- Which criteria align with state goals?

Which state goals are missing in your current formula criteria?

Sample State Goals:

- Provide access to CTE regardless of geographic location (ACCESS)
- Promote CTE program size, scope, and quality (PROGRAM QUALITY)
- Ensure high quality instruction (PROGRAM QUALITY)
- Support student achievement (ACHIEVEMENT/PERFORMANCE)

Sample State Prioritized List:

1. ACCESS
2. PROGRAM QUALITY
3. ACHIEVEMENT/PERFORMANCE

Step 1: What are your state goals for providing CTE services?

In the space below, list your current state goals.

Step 2: What do these goals represent and how are they prioritized?

In the space below, classify your list of goals into broader categories (e.g., access and equity). Next, prioritize your list of goals from the most important to address in a funding system to the least important.

Sample State Funding Formula:

Base Component (Secondary)

- LEA low-income student population (ages 5–17) (70%)
- LEA student enrollment (ages 5–17) (30%)

Performance

- No performance measures used

Step 3: Does your current funding system align with your prioritized goals?

Does your current funding formula align with and support your prioritized goals? If so, which criteria align with which state goal/category? If not, which state goals are not aligned with your funding system? What's missing? What does your current funding system promote? Discourage?

Funding formula criteria that align with state goals:

Criteria that does not align with state goals:

State goals missing from funding system:

Appendix B: Formula Design Worksheet

Formula Design Worksheet

Performance-Based Funding for *Perkins* Reserve Funds
U.S. Department of Education, Office of Vocational and Adult Education
MPR Associates, Inc.

Background

Goals provide a framework for selecting funding criteria. Funding criteria should support achievement of goals. Funding criteria should support what the state system values.

Instructions

- Select formula criteria that align with state goals.
- Consider advantages and disadvantages of each.
- Provide justification for including them in the PBF system.
- Identify data sources, availability, and reliability.

Funding Criteria	Pros	Cons	Alignment with State Priorities	Data Source, Availability, Reliability
Example: Met state-negotiated target on Perkins measure 2P1: Completion of a postsecondary degree, certificate, or credential	Rewards programs for meeting state-negotiated target/ Program size not a factor	Does not account for program improvement over time	ACHIEVEMENT/ PERFORMANCE	Data reported to the CAR are available and reliable