

**ILLINOIS COMMUNITY COLLEGE BOARD**  
**ADULT EDUCATION AND FAMILY LITERACY**  
**FUNDING STUDY TASK FORCE REPORT**  
*May 2004*

External Attachment  
Agenda Item #7.1  
May 21, 2004

**Executive Summary**

Recognizing that a complete review of current funding practices for Adult Education and Family Literacy had not been conducted for a number of years, at the urging of the field and the recommendation of the Advisory Council, the Illinois Community College Board (ICCB) in May 2002 approved the establishment of an Adult Education and Family Literacy Funding Study Task Force. Its charge was:

*“To review, assess, and evaluate the current methodologies used to allocate financial resources to the Illinois Adult Education and Family Literacy system and to make recommendations to the Illinois Community College Board regarding any changes, modifications, deletions, and/or additions that the Task Force concludes should be made.”*

The Task Force was widely representative of adult education stakeholders, including community-based organizations, community colleges, Regional Offices of Education, public schools, Illinois Department of Corrections, Adult Education Advisory Council, Illinois Adult and Continuing Education Association, and others. The Task Force reviewed all aspects of the current funding strategy, and four subcommittees were formed to address various issues in an in-depth manner. These subcommittees include Need/Access, Base Competitive Funding, Performance Funding, and Data Collection.

In developing its recommendations, the Task Force stated its beliefs that:

- *Three strengths of the current system must be maintained:*
  - (1) *Multiple providers*
  - (2) *A diversity of provider types*
  - (3) *Service to all geographic areas of Illinois.*
- *New funding strategies and structures are needed to better meet unmet needs and to position Illinois for the future.*
- *Minimizing any unnecessary duplication in planning, data collection, reporting across state and federal agencies, and delivery of services is important so that programs can achieve greater efficiency and effectiveness in providing needed services.*

*In addition, the Task Force strongly believes that additional resources are required to serve more Illinoisans who need Adult Education and Family Literacy programs and services. Literacy, English language, and basic skill credentials are essential for individuals to compete in the new economy. If they do not receive these services, their well-being, their families' well-being, and the State of Illinois' well-being are at risk. Having a large number of persons who are unable to contribute to the overall social and economic good of the state will adversely affect the future of all Illinois' citizens.*

Illinois receives both state and federal funds to support Adult Education and Family Literacy (AEFL) programs. Both federal and state legislation specify how financial resources should be used and require “direct and equitable access to funds and services.” In FY 2003, \$55.3 million were allocated to Adult Education and Family Literacy programs. The current funding process distributes these resources through a Request for Proposal (RFP) process in three categories:

- 1) General Program Award (State Basic, State Public Assistance, and Federal Basic);
- 2) State Performance; and
- 3) Federal English Literacy/Civics.

The Task Force recommendations address changes to the General Program Award and State Performance categories as follows:

- For the General Program Award, the Task Force’s recommendations rely on a modified formula approach, which adheres to federal law through use of a competitive RFP process with open-access to all eligible entities. The approach also emphasizes good government management practices, for example, by allowing local determination for use of funds to the extent possible, by streamlined budgeting and reporting requirements so that more funds can go to provide services, and by distributing funds to areas of the state that have the greatest need for services.
- For Performance Funding, the Task Force believes that the basis should be student outcomes, and that performance funds should be used to encourage and reward all eligible programs to continue to improve the outcomes of services delivered to students.

Specific components of the funding recommendations include:

- Using an updated **Index of Need** to prorate funds to each Area Planning Council based on its proportion of state need;
- Instituting a **Foundation** component to provide base resources needed to open and maintain smaller programs;
- **Using Units of Instruction and Enrollment** components that consider the estimated costs of delivering and “growing” programs;
- Implementing a **Program Excellence Award** component; and
- **Allocating Performance Funding** that focuses on improvement and rewards providers that a) meet and b) exceed agreed upon performance benchmarks.

The new funding methodology that is recommended will result in changes in the current funding structure and to the amount of resources allocated to each provider. A transition strategy was discussed at length by the Task Force, and it was determined that funding methodologies cannot resolve all the resource challenges faced by the adult education system. Furthermore, it cannot be expected to fully accommodate the wide range of objective and subjective differences and special circumstances of each provider. The historical under funding of Adult Education and Family Literacy

further complicates the transition. The Task Force and the ICCB feel strongly that providers that are farther away from their funding targets must be assisted, and that the financial effect on providers who are better funded in a relative sense, should be limited. The Task Force is recommending a transition plan that will minimize the effect on the various programs to ensure that, to the extent possible, current services to students can be protected and so that various providers will have adequate time to prepare for funding adjustments. Thus, the Task Force recommends a multi-year transition plan that would establish an annual 5 percent funding reduction cap to ease the impact on programs and services to students. This cap would be in place until the new data system is in place.

In its discussions, the Task Force reviewed legislation applicable to Illinois Adult Education and Family Literacy programs and the Statement of Legislative Intent that applied to the transfer of administration of these programs to the ICCB. The Task Force believes that its recommendations are consistent with federal and state legislation and the Statement. The Task Force also believes that state legislation should be amended, where appropriate, to be complementary with federal legislation.

The Task Force Report also contains recommendations for:

- Overarching principles for a funding framework;
- Data monitoring and verification processes;
- Communication and definitional processes; and
- A new internet-based, centralized data system.

## **ILLINOIS COMMUNITY COLLEGE BOARD ADULT EDUCATION AND FAMILY LITERACY FUNDING STUDY TASK FORCE REPORT**

Recognizing that a complete review of current funding practices for Adult Education and Family Literacy had not been conducted for a number of years, at the urging of the field and recommendation of the Advisory Council, the Illinois Community College Board (ICCB) in May 2002 approved the establishment of an Adult Education and Family Literacy Funding Study Task Force. The Task Force has met monthly since September 2002 and discussed an array of issues and funding strategies pertinent to its charge.

The Task Force is widely representative of adult education stakeholders, including all provider types. The Task Force reviewed all aspects of the current funding strategies, and four subcommittees were formed to address various issues in an in-depth manner. The members of the Task Force are identified in Attachment A. The charge to the Task Force was:

*“To review, assess, and evaluate the current methodologies used to allocate financial resources to the Illinois Adult Education and Family Literacy system and to make recommendations to the Illinois Community College Board regarding any changes, modifications, deletions, and/or additions that the Task Force concludes should be made.”*

In addition, the Task Force was asked to complete its work so that recommendations could be used to develop funding allocations to programs for FY 2006.

Two public hearings were held in February 2004 in Springfield and in Chicago, and the Task Force reviewed the feedback from those hearings and made a number of changes to its preliminary recommendations.

In its discussions, the Task Force reviewed legislation applicable to Illinois Adult Education and Family Literacy programs and the Statement of Legislative Intent that applied to the transfer of administration of these programs to the ICCB. The Task Force believes that its recommendations are consistent with federal and state legislation and the Statement. The Task Force also believes that state legislation should be amended, where appropriate, to be complementary with federal legislation.

The Task Force’s recommendations serve as a framework for the ICCB while recognizing that ICCB must have the ability and flexibility to address a number of important issues such as assuring statewide access and quality and ensuring that any changes in the federal Adult Education Act are fully implemented in Illinois.

Background information regarding Adult Education and Family Literacy programs in Illinois as well as recommendations that the Task Force believes should be adopted by ICCB are outlined below.

## **BACKGROUND AND CURRENT FUNDING STRATEGIES FOR ADULT EDUCATION AND FAMILY LITERACY PROGRAMS**

Adult Education means instruction and support services below the postsecondary level for individuals who have attained 16 years of age; who are not enrolled or required to be enrolled in secondary school under state law and who:

- a) Lack sufficient mastery of basic educational skills to enable them to function effectively in society,
- b) Do not have a secondary school diploma or its recognized equivalent, and have not achieved an equivalent level of education, or
- c) Are unable to speak, read, or write the English language.\*

\*Source: Workforce Investment Act, Title II: Adult Education and Family Literacy Act, Section 203-1, Definitions.

The primary intent of the federal Adult Education and Family Literacy Act is to serve those individuals without a high school diploma (with the exception of ESL learners). Priority services should be given to these individuals. For students with a high school diploma who lack the basic educational skills, programs must receive prior approval from the ICCB to serve these students.

Instructional services include:

- Adult Basic Education (ABE),
- Adult Secondary Education (ASE),
- Vocational skills/instruction equivalent to secondary-level vocational education,
- English Literacy/Civics (EL/Civics) and English as a Second Language (ESL),
- Family Literacy,
- Workplace Literacy, and
- High School Credit.

Support services include student recruitment and retention, volunteer literacy, assessment and testing, social work and guidance, assistive and adaptive equipment, participant transportation, childcare, and job counseling and placement services.

### **Governance**

With the support of the adult education community, a successful transition of Adult Education and Family Literacy administration to the Illinois Community College Board occurred in FY 2001. At that time, the Adult Education and Family Literacy Advisory Council was established in state government and consisted of community-based organizations, community colleges, public schools, Regional Offices of Education, Governor's Office, General Assembly, Department of Corrections, Department of Human Services, the Illinois Workforce Investment Board, and other stakeholders.

### Students and Providers

In FY 2003, federal and state funds to ICCB Adult Education and Family Literacy Programs supported (149,713) students. These students were enrolled in English as a Second Language, Adult Basic Education, Adult Secondary Education/GED, High School Credit, and Vocational Training/Job Skills courses. The distribution of students is shown below:

|                                |                             |
|--------------------------------|-----------------------------|
| English as a Second Language   | <b>86,197</b> or <b>57%</b> |
| Adult Basic Education          | <b>37,105</b> or <b>25%</b> |
| Adult Secondary Education/GED  | <b>19,195</b> or <b>13%</b> |
| High School Credit             | <b>2,780</b> or <b>2%</b>   |
| Vocational Training/Job Skills | <b>4,436</b> or <b>3%</b>   |

A definite strength of the current and proposed Adult Education and Family Literacy funding system is the diversity of program providers. The number of providers varies from year to year, but in FY 2003, 107 providers received funding as follows:

|                                |    |
|--------------------------------|----|
| Community College Districts    | 39 |
| School Districts               | 24 |
| Regional Offices of Education  | 10 |
| Community-based Organizations  | 32 |
| Other Non-Profit Organizations | 2  |

An additional strength is Adult Education's efforts to coordinate services. Currently, Illinois has 39 Area Planning Councils that are responsible for the development and coordination of Adult Education and Family Literacy Area Plans for the purposes of: a) avoiding duplication of services, b) maximizing available resources, and c) providing accessibility to individuals needing services.

### Funding Sources

Illinois receives both state funds and federal dollars to support Adult Education and Family Literacy programs. Both federal and state legislation specify how financial resources should be used and require "direct and equitable access" to funds and services. With the exception of certain advanced level programs, providers are prohibited from charging state fees. State law also establishes Area Planning Councils.

In FY 2003, \$55.3 million of federal and state funds were allocated to Adult Education and Family Literacy as follows:

|                          |                       |
|--------------------------|-----------------------|
| Federal Basic            | \$18.6 million or 34% |
| Federal EL/Civics        | \$ 2.9 million or 5%  |
| State Basic              | \$15.8 million or 29% |
| State Public Assistance* | \$ 7.9 million or 14% |
| State Performance        | \$10.0 million or 18% |

\*Funds are awarded specifically for instructing Adult Education students who have been identified as Public Assistance recipients.

Other programs also serve some of the same students and many additional students. These other programs include:

- Even Start Family Literacy, FY 2003 funding of \$6 million (governance: Illinois State Board of Education)
- Community, Family, Workforce Literacy, FY 2003 funding of \$5.5 million (Secretary of State)
- ABE/ASE services in community colleges, FY 2003 funding of \$35 million (ICCB)
- Provider and Institutional support (Various providers and individual community college districts)
- WIA Intensive Services (Local Workforce Investment Boards)
- Parent involvement/education (local school boards)
- Grant-supported

While these recommendations focus on AEFL programs, which is the purview of this report, it is important to note that adult learners and services extend beyond the ICCB-funded AEFL system.

### **The Funding Process**

All of the state Adult Education funds appropriated to the ICCB are allocated to providers. These funds comprise three funding categories: 47% to Basic, 23% to Public Assistance, and 30% percent to Program Performance. Of the federal funds, 82.5% is allocated to providers (not more than 10 percent is allocated to the Illinois Department of Corrections), 12.5 percent is used for statewide leadership activities, and 5 percent is used for the administration of the ICCB Adult Education program.

The current funding process distributes resources in three categories: 1) General Program Award (State Basic, State Public Assistance, and Federal Basic), 2) State Performance, and 3) Federal English Literacy/Civics.

Eligible applicants for state and/or federal funds are local educational institutions/agencies; community- and faith-based organizations; volunteer literacy organizations; institutions of higher education; public or private not-for-profit institutions/agencies; libraries; public housing authorities; and consortia of the preceding institutions, agencies, organizations, libraries, or authorities.

Program Awards. The General Program Award uses a Request for Proposals (RFP) process with applications reviewed by ICCB staff, partner organizations, and state entities familiar with Adult Education and Family Literacy programs. EL/Civics also uses an RFP process and is designed to provide integrated English literacy and civics education to immigrant and other limited English proficient populations so that they may learn how to become active community members.

Criteria used in the RFP process, and the relative weight of each, include the quality of the proposed programs and services in the following areas:

- Program Planning (15 points)
- Educational Gains (15 points)
- Curriculum and Instruction (20 points)
- Staffing and Staff Development (15 points)
- Support Services (15 points)

- Recruitment (5 points)
- Retention (5 points)
- Reasonableness of Funding Request (10 points)

The Index of Need currently used in the funding process consists of the following factors: number of adults with less than nine grades of education; the number of individuals living in ESL households; the number of adults living in poverty; the number of adults in households receiving TANF payments; and the average monthly number of unemployed persons. These data are also used in the RFP process in evaluating need within a particular APC.

In each APC region, the program awards are compared with the Index of Need to determine on a percentage basis how close they are to the region's respective index. For example, in FY03, program awards to providers in areas funded at or above 100 percent of the regional Index of Need received no increase in their award, while those below the regional Index of Need were eligible for small increases in funds.

State Performance. By state statute, a portion of state funds – 19 percent of total AEFL funding in FY03 – is allocated to reward programs for specified performance outcomes. State performance funds are allocated to providers based on each provider's relative performance within the total universe of Illinois providers. Five factors have been used to determine state performance awards:

1. **Public Aid Reductions** (the number of Public Aid clients served whose TANF benefits were reduced because of increased income),
2. **Secondary Completions** (the number of learners whose electronic records matched the database of GED records from testing centers, and the number of high school diplomas),
3. **Level Completions** (the number of instruction levels completed by learners as computed from reported test scores, the number of reported vocational completions, and the number of reported citizenship completions),
4. **Test Score Gains** (the sum of reported test score points gained between pre-test to post-test), and
5. **Persistence** (the number of learners whose attendance rate was above the average for their particular instruction category; such as ABE).

Federal Reporting. In addition, the federal government has required outcome measures through the National Reporting System (NRS) in these following five areas:

- **Educational Gains** (the number of learners who complete or advance one or more education levels from entry into program)
- **Entered Employment** (the number of learners who obtain a job before the end of the first quarter after the program exit quarter)
- **Retained Employment** (the number of learners who remain employed in the third quarter after the exit quarter)
- **Receipt of a Secondary Diploma or GED, and**



- **Placement in Postsecondary Education or Training** (the number of learners who enroll in a postsecondary educational or occupational skills training program that does not duplicate other services or training received).

Federal reporting standards are not used to allocate state performance funds.

### **Conclusions**

As it developed its recommendations, the Task Force made these overarching conclusions:

- *Three strengths of the current system must be maintained:*
  1. *Multiple providers*
  2. *A diversity of provider types*
  3. *Service to all geographic areas of Illinois.*
- *New funding strategies and structures are needed to better meet unmet needs and to position Illinois for the future.*

*Minimizing any unnecessary duplication in planning, data collection, reporting across state and federal agencies, and delivery of services is important so that programs can achieve greater efficiency and effectiveness in providing needed services.*

## TASK FORCE RECOMMENDATIONS

At its first meeting, the Task Force reviewed the history and the current funding methodology for Adult Education and Family Literacy. The four Subcommittees met by phone and in person on numerous occasions. At other meetings of the Task Force, the Subcommittees and the Task Force reviewed federal and state statutory requirements, as well as current practices, and discussed alternative policies for funding, including the pros and cons of various approaches and how these strategies might affect various programs. Outlined below are the Task Force's recommendations regarding funding needs, funding principles, a new state-of-the-art data collection system to provide more useful and timely information while reducing data burden for providers, auditing of data, changes to the current funding structure to move toward an approach that is based more on quantifiable and auditable information than the current system, and recommendations that emphasize both high and exceptional performance.

### FUNDING NEEDS

While the number of persons in Illinois who receive instruction in Adult Education and Family Literacy is sizeable, the Task Force emphasizes that a substantial unmet need exists. Between 3.8 and 4.5 million adults in Illinois perform at the lowest two (out of five) literacy levels based on results of the Illinois State Adult Literacy Survey, which includes both recent high school graduates and older adults. At this level, reading, writing, and math skills are very limited. (*Literacy in Illinois: Results from the State Adult Literacy Survey, 1994*). The demand for English as a Second Language instruction is escalating rapidly in all areas of the state, and population growth in the next 10 years is expected to result in an even greater need for English as a Second Language programs and services.

#### Recommendation 1: Funding Needs

**Additional resources are required to serve more Illinoisans who need Adult Education and Family Literacy programs and services to assure that these individuals can compete in the new economy. If individuals do not receive these services, their well-being, their families' well-being, and the State of Illinois' well-being are at risk. Having a large number of persons who are unable to contribute to the overall good of the State will adversely affect the future of all Illinois' citizens. Illinois must aggressively seek additional resources for Adult Education and Family Literacy Programs from various sources, including the federal government, foundations, and private sources.**

## **PRINCIPLES**

The Task Force developed the following set of principles to guide its work.

### **Recommendation 2: Principles**

**The Task Force believes that changes in the current funding system are merited and recommends that the following overarching principles be adopted to provide the framework for these changes.**

1. Funding and other strategies should position Illinois for the future in delivering high quality needed services.
2. Funding policies should preserve the current strength of having multiple provider types.
3. Funding policies for Adult Education and Family Literacy programs should
  - a. Promote program access by the adult education population in all areas of Illinois,
  - b. Provide predictability and stability in funding, equity, and accountability, and
  - c. Be results-oriented and reward efficiency, effectiveness, and quality.
4. Funding policies should include performance funding that focuses on continuous improvement so that each program is encouraged to improve. In addition, funding should be at a level sufficient to sustain high performance.
5. State legislation and policies should be aligned with Federal legislation when appropriate. Funding policies should support the National Reporting Standards.
6. Funding policies for performance should emphasize learner education outcomes that are within the purview of the adult education provider.
7. The criteria used in the funding policies should be communicated to providers in advance, and be consistent for a reasonable period of time.
8. Funding processes should be as simple and straightforward as possible, given the complexity of programs, and they should be consistent with the State Plan for Adult Education.
9. Information for Adult Education and Family Literacy programs should be collected in a uniform manner from all programs and not place an undue burden on data providers. Data that is reported should contribute to accountability, program management, and program improvement. Other categories of data should be reduced to the extent possible. Moreover, reported data should be accessible to data providers and should be quantitative, verifiable, and auditable.

## **DATA SYSTEMS**

Currently, Illinois uses the Student Administration Information Reporting System (STAIRS) for collection of information about Adult Education and Family Literacy. The Data Systems Subcommittee of the Task Force undertook a number of activities including a user preference survey and a survey to determine the type and effectiveness of other states' data systems. The results of these surveys were instrumental in developing data system recommendations.

The Subcommittee found that internet-based data collections are common among the states. Pennsylvania and Ohio have been recognized as among the leading states in the use of the Internet. Nebraska, Kentucky, Texas, and North Carolina also use internet-based reporting. In addition, the National Center for Education Statistics uses this technique in collecting all information for postsecondary education institutions through its Integrated Postsecondary Education Data Systems (IPEDS.)

The Task Force believes that having current, consistent, and comparable data from all providers is a high priority. Data on Adult Education must be available to be used both externally for accountability at the state and federal levels and internally to address service and management needs. The Task Force also believes that the current STAIRS data system is neither designed, nor adequate, to achieve these purposes.

### **Recommendation 3: Internet Data System**

**Because of the importance of data to a new funding system, the Task Force recommends that an internet-based, centralized data system for Adult Education and Family Literacy be fully implemented as soon as possible, and not later than July 1, 2006.**

**Because providers must be given ample time and information to prepare for new system implementation, the Task Force recommends a one-year transition during fiscal year 2005 so that pilot testing can be incorporated into data system development. If possible, pilot participants would receive a financial incentive for participating.**

**The Task Force recommends that the system be designed to be simple, flexible, easy to use, and accessible and should eliminate redundancy in data collection.**

To the extent possible, it is hoped that ICCB can minimize the costs to the providers. However, if this is not possible, the costs to develop, pilot test, start up, and maintain the statewide data system are the responsibility of the providers, with the first years' development costs to be funded from Adult Education and Family Literacy funds prior to the allocation of funds to providers. Subsequent year's development and maintenance costs are to be funded in the same manner. Providers will be required to maintain an elevated minimum Internet connection speed to minimize interruptions of service and will be responsible for local connection costs.

ICCB staff plan to review large-scale, internet-based data collection systems in other states and incorporate effective elements of these systems into the new system that is developed for Illinois.

ICCB staff also plan to work with other Illinois Adult Education and Family Literacy entities that collect data to promote continuity across data systems. These entities include the Secretary of State Literacy Office, the Illinois State Board of Education, and other programs.

In addition, the data system should be designed to collect employment and employment retention information from states contiguous to Illinois.

To facilitate the transition, a number of activities are needed, including giving providers an online user manual, conducting regional and statewide training sessions during the transition year and periodically thereafter, and providing a “help desk” so that providers can receive assistance on a daily basis.

The Task Force recognizes the importance of ICCB staff maintaining sufficient flexibility to meet user needs within budgetary constraints, to make timely system changes related to National Reporting Standard policy changes, and to develop queries and reports beyond what is currently available. Further, the Task Force encourages frequent data submission with reasonable reporting deadlines.

The Task Force believes that the data should be exportable in a standard format (ASCII, comma delimited), allowing import into local provider systems and importable from a standard format to allow providers with existing systems to avoid data entry duplication.

The new data system should be simplified to record each student’s attendance on an aggregate rather than daily basis and to eliminate any unnecessary fields.

Providers must be able to access information locally if any disruption of internet service occurs.

## **DATA VERIFICATION AND REVIEW OF THE FUNDING SYSTEM**

Currently in the Adult Education and Family Literacy funding process, some verified data sources are used; in performance funding for example, the number of GEDs awarded is matched between program and test administrator data. Other data that originate from local programs, such as enrollment, attendance, test scores, and course completions, should be submitted according to the same standard protocols and definitions by all providers. These data should be subject to program audits conducted by, or on behalf of, the ICCB to assure that funding allocations are made on the basis of accurate and comparable data for all providers.

### **Recommendation 4: Auditing and Review of the Funding System**

**The Task Force recommends that funding and monitoring be linked and that data used in the formula and performance funding processes be verified and audited. The Task Force recommends that monetary disincentives be used for programs not performing to ICCB standards.**

**The Task Force also recommends that the funding system be reviewed periodically to assure that the funding factors and performance indicators are valid and reflect the desired outcomes of the system. The new system should be analyzed to monitor the impact on local programs and to assure stability from year to year.**

A periodic review of funding policies, perhaps every five years, will allow the system time to make adjustments for improvement, if necessary, while promoting funding and program stability. It would also allow for adjustments if there are changing public policy issues and priorities or if there are unintentional negative consequences to the new funding system.

### **Recommendation 5: Communication and Design of the Funding System**

**The funding criteria, definitions, and performance indicators, should be clearly communicated to local programs in advance and should be consistent for a number of years. This would enable local programs to organize their efforts to achieve goals and desired learner outcomes and have reasonable expectations for receiving a specific amount of funds for achieving them. Funding for performance incentives should be at a level sufficient to sustain the rewards.**

## **FUNDING PROCESSES**

As described earlier, an RFP process has been used for funding Adult Education and Family Literacy programs for a number of years. The Task Force's recommendations for a new process and framework are summarized below.

### **Recommendation 6: Requests for Proposal (RFP) Process (does not include EL/Civics)**

**The Task Force recommends that the RFP process be modified and simplified using a cycle reflecting federal guidelines and which is aligned with the timeframe for the state plan for adult education. The RFP process serves as a “qualifying process” to determine which providers meet quality standards and are eligible for state and federal funds. Programs that the ICCB “qualifies” as an Adult Education and Family Literacy provider and providers that deliver a minimum of 1,000 units of instruction\* receive funding using the funding framework developed by the Task Force.**

**The RFP process should also be used to request funds and to provide a justification for requested funds.**

(\*For current providers, the effective date for the minimum of 1000 units of instruction is three years).

Based on the federal cycles, new providers would be able to compete in the RFP process periodically, and in years when new providers are not admitted to the program, they could participate as subcontractors of established programs. Similarly, providers with less than 1,000 units of instruction may be funded as subcontracts with a larger entity/provider. The ICCB may make exceptions in cases of a sole provider within an APC to ensure that an APC is served.

### **Recommendation 7: Funding Framework**

**The Task Force recommends that the current funding structure be modified to have the components as follows (the components are not in priority order):**

Base Funding:

- a) **An Index of Need** is used to prorate funds to each Area Planning Council based on their proportion of statewide need. These funds are then allocated to providers within that Area Planning Council. The Index of Need counts only the target population defined below.
- b) A **foundation component** for each eligible program.
- c) A **Program excellence award component**.
- d) A **units of instruction component** that considers the number of instructional units delivered and the estimated costs of delivering and “growing” Adult Education and Family Literacy programs.
- e) An **enrollment component** for each eligible program.

Performance Funding:

- a) Reward to providers that meet performance benchmarks.
- b) Reward to providers that exceed performance benchmarks and demonstrate high performance.

EL Civics:

Current RFP process will be continued.

### **BASE FUNDING**

The changes to base funding are recommended to provide greater equity and stability for the various providers. The base funding changes also emphasize the importance of quality, and preserving multiple provider types. Smaller providers would be funded with a foundation amount that is stable and predictable with the remaining base funds allocated based on units of instruction, enrollment, and program excellence. The base funding recommendations are designed to simplify the process as well. The Task Force is recommending five components for base funding:

- a) Index of Need
- b) Foundation Component,
- c) Program Excellence Award Component,
- d) Units of Instruction Component, and
- e) Enrollment Component.

Index of Need. The Task Force recommends that an “Index of Need” be used first in allocating funds to each Area Planning Council region. This approach distributes funds to areas of the state that have the greatest need for services.

Furthermore, the population used in determining the Index includes individuals who are 16 years of age or older and who are not enrolled or required to be enrolled in secondary school under state law and who:

- a) Lack sufficient mastery of basic educational skills to enable them to function effectively in society,
- b) Do not have a secondary school diploma or its recognized equivalent, and have not achieved an equivalent level of education, or
- c) Are unable to speak, read, or write the English language.

Currently, the Index of Need uses the following components and weightings:

- Less than 9 grades of education (weighting = .24)
- ESL (weighting = .20)
- Adults in Poverty (weighting = .20)
- TANF eligible (weighting = .20)
- Average Number Unemployment per Month ( weighting = .16)

The Task Force recommends that the Index of Need be modified to use the following components and weightings:

- Less than 12 grades of education (weighting = .45) with each adult with less than 9 grades of formal education weighted by 1.5 (1.7 million adults).
- Adult ESL (weighting = .25) with each adult who does not speak English or does not speak English well weighted by 1.5 (1.9 million adults).
- Adults in Poverty (weighting = .25) (1.2 million adults).
- Average Number of Unemployed Persons per Month (weighting = .05) (390,000 adults).

As the Task Force reviewed the current components in the Index of Need and assessed the demands for AEFL programs, the Task Force felt that the demands for AEFL programs by individuals with more than 9, but fewer than 12 formal grades of education was substantial and should be recognized. The Task Force also felt that the Index of Need should have a higher weighting for those individuals who are “hardest to serve,” e.g., individuals with less than 9 grades of education and individuals who do not speak English well or who do not speak English. This weighting recognizes the difficulty and the higher costs associated with programs for these individuals. The significant increase in the ESL learner population indicated a corresponding increase in the weighting of this factor. Further, while the previous ESL component included all persons ages 5 and older residing in households where a language other than English is spoken, the new Index is based on the aforementioned adult/out of school criterion. In the new Index of Need the weighting for unemployed is reduced as a result of the Task Force’s belief that there is a low correlation between the data source and the population in need of adult education. Specifically, the number of adults receiving Unemployment Insurance benefits includes both persons who are and, who are not eligible, for Adult Education. In addition, those individuals who are unemployed and eligible for Adult Education and Family Literacy programs are likely to be included in the categories of less than 12 grades of education, Adult ESL, or Adults in Poverty.



Foundation. The purpose of the “Foundation” component is to recognize that there are higher fixed costs simply to “open the door” for programs that are smaller in terms of units of instruction provided. The Task Force believes that the smallest 50% of programs fall into this category. These programs need a dependable, predictable amount of foundation funding. The Task Force investigated several models for providing foundation support. The Task Force recommends that smaller programs receive a fixed amount for foundation funding, which should be limited to no more than one-third of the program’s total base funding award.

The Task Force has asked ICCB to develop a formula approach for Foundation Funding. The Task Force reviewed a strategy of \$50,000 for programs with less than 5000 units of instruction as a possible approach. The Task Force is concerned that programs could fluctuate in size which could create some instability in foundation funding and also wanted ICCB to review the 5000 unit threshold.

Program Excellence Award. The purpose of “Program Excellence Award” funding is to recognize that factors other than program size, units of instruction, enrollment, and costs should be used in funding Adult Education and Family Literacy programs and that quality should be rewarded and encouraged within AEFL programs. Within the RFP process, there are quality considerations that include program planning, educational gains, curriculum and instruction, staffing and staff development, support services, and recruitment/retention. The Task Force recommends that programs be allowed to choose two of these elements on which to focus efforts to maintain and improve quality for a given year in order to receive Program Excellence Award dollars. An evaluation tool would be used to assess whether the program is successful in achieving its goals in the two areas. The ICCB would evaluate a report developed by the program provider and determine if the program is eligible for Program Excellence Award funds. The ICCB could also pre-select a statewide area based on federal mandates. Un-awarded funds would be reallocated to other qualified programs. This strategy encourages better performance for the system as a whole. Of the total funds allocated to the base, 20\* percent would be allocated to the Program Excellence and Foundation components.

\*The Task Force discussed what the appropriate level of funding should be for the Program Excellence and Foundation components, specifically whether it should be 20% or 25%. The Task Force believes that this decision is within the discretion of the ICCB.

Units of Instruction. The Units of Instruction Component is a productivity model, and its purpose is to provide resources to each provider within an APC to support each unit of instruction relative to the amount of services provided. As a result, providers within an Area Planning Council should be funded at a similar unit cost for similar instructional activities. Currently, there are substantial variations in funding among various providers. This approach uses the same rate for each unit of instruction, and the number of units is based on a three-year rolling average or the last year, whichever is greater. The Units of Instruction Component represents 40\* percent of available base funds. This strategy provides equity for providers within an Area Planning Council although providers across the state may be funded at different levels per unit of instruction.

\*Percentage may change based on allocation to Program Excellence component.

The Units of Instruction\* were divided into categories and weighted as follows:

- A. Beginning Literacy to Beginning ESL – 1.50
- B. Low Intermediate ESL to High Intermediate ESL – 1.25
- C. Low Advanced ESL to High Advanced ESL – 1.00
- D. Beginning Literacy to Beginning ABE – 1.50
- E. Low Intermediate ABE to High Intermediate ABE – 1.25
- F. Low Advanced ASE to High Advanced ASE – 1.00
- G. Other Units (generated from students who were not tested) – 1.00

\*Units attributed to EL/Civics were excluded. Community college units were adjusted to reflect a reduction of units supported by unrestricted dollars.

Enrollment. The Enrollment Component recognizes that providers incur costs with each student who enrolls regardless of the number of instructional units generated. The Enrollment Component is a productivity model, and its purpose is to provide resources to each provider within each APC relative to the number of adult students served. As a result, providers within an APC would be funded for similar costs for similar activities. The approach uses the same cost rate for each unduplicated headcount enrolled student. The number of students is based on a three-year rolling average or the last year, whichever is greater. The Enrollment Component represents 40\* percent of available base funds. This strategy provides for equity for providers within an Area Planning Council although providers across the state may be funded at different levels for each adult.

\*Percentage may change based on allocation to Program Excellence component.

It should be noted that costs vary significantly among the various providers and Area Planning Councils. With its monitoring and compliance responsibilities, the ICCB should review and establish cost guidelines to assure that the costs allocated to various providers and Area Planning Councils are reasonable. For example, the ICCB may want to consider a guideline that no provider will be funded at a level that exceeds 50 percent or 100 percent above average statewide costs. ICCB should also develop a reporting schedule for these costs.

### **Recommendation 8: Transition to Base Funding**

**The Task Force recommends that a Transition Plan be adopted for the new base funding strategy that involves incremental implementation of the new funding system.**

For FY 2004, estimates indicate that federal funds will be less than what was allocated in FY 2003. In addition, the migration to the new quantitative base funding system will result in some providers having fewer resources than in previous years. The Task Force is recommending a transition plan that will minimize the effect on the various programs to ensure that, to the extent possible, current services to students can be protected and various providers will have adequate time to prepare for funding adjustments.

The Task Force also believes that implementation of the funding approach should go through a slow transition until comparable and consistent information is available with the new data system. The Task Force recommends that a 5 percent funding reduction cap that a single provider would incur in any given year be established. The cap would be a floating amount based on the funds available as described in the examples below. When comparable and consistent information is available, the ICCB should review the 5 percent factor to determine if it should be increased. The transition strategy would be implemented as noted in the following examples:

- Example: If, on a statewide basis, funds for Adult Education and Family Literacy are increasing from the previous year, then no provider would be reduced by more than 5% assuming that the provider's enrollments have not declined.
- Example: If, on a statewide basis, funds for Adult Education are reduced from the previous year, then no provider would be reduced by more than 5% beyond the statewide reduction, for example, if funds decline by 2%, then no provider would be reduced by more than 2% plus 5% assuming that the provider's enrollments have not declined.

The effect of this recommendation is to lengthen the transition process, give providers time to adjust for the new funding system, and ensure that services to students continue.

## **PERFORMANCE FUNDING**

Since fiscal year 2000, allocating resources to program providers based on performance has been an important component of Illinois Adult Education and Family Literacy funding. The Task Force believes that the basis for performance funding should be student outcomes and that performance funds should be used to encourage and reward programs to continue to improve the outcomes of the services they delivered. The focus of performance funding is continuous improvement for all programs.

The Task Force supports performance funding and believes that the following recommendations will strengthen the current system.

### **Recommendation 9: Improvement Focus**

**The Task Force recommends that performance funding should reward a program's increasing impact on learners, rather than its performance compared with other programs. This approach would use a benchmark expectation based on each program's three-year average performance for each performance indicator. When programs meet the benchmark, they receive performance funds. When programs fail to meet their own benchmarks, they must develop a remediation plan and technical assistance will be provided by the ICCB. If a program does not meet its benchmarks for three consecutive years, then the program may lose some portion of its performance funding.**

The current funding system is designed so that a single program's performance is compared with other providers within the state. The recommended change means that a provider would compare its results with its own previous years' results so that each program competes with itself. The Task Force believes that this approach provides an incentive for continuous improvement for each program.

Internal and external factors may result in a program's performance fluctuating from year to year. Using a three-year rolling average promotes predictability and stability so that programs know how much performance funding they are likely to receive based on past performance experience.

In the first and second years, each provider receives its determined level of performance funds. If a provider does not meet at least 90 percent of its benchmark in the first year, it will be required to develop a remediation plan and technical assistance by ICCB staff should be provided. In the second year, if the benchmark is not met, the remediation plan will be revised with continued technical assistance. In the third year, the program receives performance funds based on its percentage of the performance benchmark. As an example, if a program is at 80 percent of its benchmark, then it receives 80 percent of its performance funds. This approach emphasizes the importance of both continuous improvement and results.

It should be noted that new programs would not be eligible for performance funding until they have two years of performance data, which will be in their fourth year of operation. Programs that exceed their benchmark will also be rewarded as outlined in the recommendation below.

#### **Recommendation 10: Exceptional Performance**

**The Task Force recommends that performance funding include a component for "Exceptional Performance." When programs exceed the baseline benchmark, they may earn financial incentives for exceptional performance. The incentive should be limited to no more than 5 percent of a program's total performance funding allocation. These incentives should be funded with additional state dollars, rather than reallocating the current performance funds. New, additional funds to support "Exceptional Performance" should be sought from the General Assembly.**

The Task Force believes that program efforts that focus on exceptional results should be rewarded and that this component of the funding framework will provide an incentive for excellence. This recommendation is also consistent with the Illinois Community College System's Strategic Plan, the *Promise for Illinois, Pledge 3* "Maximize state and federal resources to assure there are adequate, stable, and flexible resources which promote program growth and innovation for all adult education students consistent with the Adult Education and Literacy Vision for 2008."

Funds that a program may receive for "Exceptional Performance" are one-time allocations and do not roll over from year to year.

### **Recommendation 11: Performance Indicators**

**The Task Force recommends that a set of new performance funding indicators be adopted that includes educational outcomes, including level advancement; test score gains; and secondary, citizenship, and vocational completions, as well as other educational outcomes.**

The Task Force examined the distribution of performance funding over several years' time. It also considered the policy implications of providing performance funding as incentives for providers' work towards certain learner outcomes. The Task Force was clear in selecting outcomes as the basis for performance funding. Specifically, the Task Force decided that education outcomes that are most likely a direct result of participation in adult education programs should be used as performance indicators. Outcomes that most often depend on forces external to the education program, such as employment and income that are affected largely by economic conditions, and reductions in public assistance that are affected largely by public policy, economic conditions, and other social factors, are not to be included. These outcomes are not directly related to educational outcomes.

Certain performance indicators, such as citizenship and vocational completions, should have standardized definitions and calculation methodologies that are used by all providers.

The performance indicators and performance funding recommendations are applicable to only outcomes that are funded with Adult Education and Family Literacy funds. Outcomes associated with community college unrestricted funds should not be included.

The ICCB should also periodically, for example, on a three-year basis, examine the benchmarks and funding levels and make adjustments where appropriate.

**Attachment A**

**ADULT EDUCATION AND FAMILY LITERACY SYSTEM  
FUNDING TASK FORCE**

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