

Do funds need to be distributed based on a funding formula?

While the law does not require a funding formula, most states use a formula to distribute funds to local grantees. Funding formulas help to ensure the equitable distribution of funds. Some states combine state and federal funding into one formula; others have separate formulas for each funding source. Most formulas include distribution of some funds based on need as determined by census data on the target population, employment data, public assistance recipients, etc.

To encourage adult education service providers to improve the quality and effectiveness of their instructional programs, some states are adopting performance-based funding (PBF) to allocate some or all of their federal and/or state adult education resources. These funding systems distribute resources to local providers based on state-defined criteria, which may include learner, administrative, or other programmatic measures. Performance outcomes are used to determine how much money a provider receives and, in some circumstances, whether funds should be added or deducted from a provider's allocation. According to a recent study of ten states prepared for OVAE by MPR Associates, among states studied, 50% allocate some portion of their state and federal funds using performance criteria.