To: Adult Education and Literacy Grantees
   Local Workforce Development Board Executive Directors
   Commission Executive Offices
   Integrated Service Area Managers

From: Courtney Arbour, Director, Workforce Development Division

Subject: Program Year 2019–2020 Performance-Based Funding and Performance Allocation Holdbacks

PURPOSE:
The purpose of this AEL Letter is to provide Adult Education and Literacy (AEL) statewide core provider grantees\(^1\) with updated information on the distribution of performance-based funding and performance allocation holdbacks.

RESCISSIONS:
None

BACKGROUND:
Texas Workforce Commission (TWC) General Administration rule §800.68 provides that TWC will set performance accountability benchmarks that AEL grantees must meet to access up to 10 percent of their allocated funding (performance allocation).

On April 30, 2019, TWC’s three-member Commission (Commission) approved allocations for Program Year 2019–2020 (PY’19–’20), including performance-based funding allocation holdbacks totaling nearly $1.5 million, or 3 percent of the allocated federal funding.

Additionally, House Bill (HB) 1949, 86th Texas Legislature, Regular Session (2019), introduced a measure related to enrollment and credential achievement performance in high school equivalency (HSE) or postsecondary ability to benefit programs that must be included as part of AEL’s performance-based funding criteria.

\(^1\) For the purposes of this AEL Letter, AEL statewide core provider grantees are entities that receive AEL funds through TWC RFP 320-18-01.
On October 8, 2019, the Commission approved the performance-based funding criteria for PY’19–’20, and also approved criteria that implemented HB 1949, which allows grant recipients to earn funding in PY’20–’21.²

PROCEDURES:

**No Local Flexibility (NLF):** This rating indicates that AEL entities must comply with the federal and state laws, rules, policies, and required procedures set forth in this AEL Letter and have no local flexibility in determining whether and/or how to comply. All information with an NLF rating is indicated by “must” or “shall.”

**Local Flexibility (LF):** This rating indicates that AEL entities have local flexibility in determining whether and/or how to implement guidance or recommended practices set forth in this AEL Letter. All information with an LF rating is indicated by “may” or “recommend.”

**Definition**

**NLF:** AEL grantees must be aware that a postsecondary ability to benefit program, for the purposes of performance-based funding, is a postsecondary education or training program that:

- results in a recognized postsecondary credential; and
- enrolls AEL eligible participants who:
  - do not have a high school diploma or HSE;
  - qualify for federal student financial aid eligibility under the federal Ability to Benefit provisions enacted in §484(d) of the Higher Education Act of 1965; and
  - demonstrate on an assessment instrument approved by the US Department of Education³ for ability to benefit that the participant can pass college-level courses with some support.

This AEL Letter uses the definition of “postsecondary ability to benefit program” found in HB 1949, which is more restrictive than the federal definition of “ability to benefit.”⁴ AEL providers may follow the federal definition, but only those adhering to the definition found in HB 1949 are eligible for performance-based funding.

**Guidance**

**NLF:** AEL grantees must be aware that performance-based funding is distributed from Adult Education and Family Literacy Act (AEFLA) federal funds.

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² Category C lists the criteria that implements HB 1949, as written in statute, and Category D outlines the way that TWC will develop criteria for grant recipients reaching milestones toward fully meeting HB 1949 criteria.
³ A list of approved tests is available at https://ifap.ed.gov/eannouncements/062415ATBTests.html
⁴ US Department of Education’s Dear Colleague Letter GEN-16-09, Changes to Title IV, Eligibility for Students Without a Valid High School Diploma Who Are Enrolled in Eligible Career Pathway Programs, provides the policy for ability to benefit eligibility.
AEL grantees must be aware that the 3 percent performance allocation holdback is not guaranteed and is contingent on performance, which is assessed according to the parameters and due dates described in this AEL Letter.

Category A: Early Enrollment—Participants Served by the Second Quarter of the Program Year

AEL grantees must be aware that to help ensure that AEL programs meet expectations for the total number of participants to be served, grant recipients will be awarded approximately 33.33 percent of their PY’19 performance-based funding allocation if they have met 65 percent of the negotiated target for total participants to be served based on their base PY’19–’20 allocations, as approved by the Commission on August 27, 2019, by the end of the second quarter. This measure does not include carryforward targets associated with PY’18–’19 funds.

Denominator: The unduplicated enrollment target for total participants served out of the PY’19–’20 allocation

Numerator: The unduplicated number of participants served out of the PY’19–’20 allocation between July 1, 2019, and December 31, 2019

Funds for achievement of this measure will be released after the second quarter of PY’19, once approved by the Commission.

Category B: Measurable Skill Gains

AEL grantees must be aware that to help ensure that AEL programs increase performance in measurable skill gains (MSGs), grant recipients will be awarded approximately 66.67 percent of their PY’19 performance-based funding allocation, once approved by the Commission, if by March 31, 2020, participants enrolled in the first two quarters of the program year meet the grant recipients’ first to third quarter MSG targets approved by the Commission on August 27, 2019.

Denominator: The unduplicated number of AEL participants served between July 1, 2019, and December 31, 2019

Numerator: The number of participants in the denominator who achieve an approved MSG by March 31, 2020

Funds for achievement of this measure will be released after the third quarter of PY’19, once approved by the Commission.

Category C: HSE or Ability to Benefit Enrollment and Achievement (HB 1949)

AEL grantees must be aware that HB 1949 requires the Commission to consider certain criteria when awarding performance-based funding. To receive funding in this category, which implements HB 1949, grant recipients must meet both of the following criteria:

1. At least 25 percent of all PY’19–’20 participants served in the program year must be enrolled in an HSE or postsecondary ability to benefit program.

2. At least 70 percent of participants who were in an HSE or postsecondary ability to benefit program during the program year and exited during the program year must achieve either an HSE or a recognized postsecondary credential.
**Denominator:** All PY’19–’20 participants who were in an HSE or postsecondary ability to benefit program during the program year and exited during the program year.

**Numerator:** Exiters from the denominator who achieved an HSE or postsecondary credential during the program year or after exit.

The achievement methodology for HSE does not include the Workforce Innovation and Opportunity Act (WIOA) HSE credential attainment requirement of employment or entry into postsecondary education or training within 365 days of exit.

To ensure that AEL grantees meet expectations for HB 1949, they will be awarded approximately 33.33 percent of the Commission-approved PY’20 performance-based funding allocations if they meet the targets as described. The Commission must approve the allocation of these funds.

This category focuses on all participants served in the entire program year and also focuses on those participants who were in an HSE or ability to benefit program and who exited during the program year. Because exit occurs when a participant does not receive AEL participatory services for more than 90 days, and those 90 days are not part of a planned gap, it is not possible to determine whether a grant recipient qualified for the award until more than 90 days after June 30, 2020. To account for the delay in determining results under this category, the Commission will approve and award performance-based funding for this category after the first quarter of the next program year, which is PY’20.

**Category D: Milestones in Meeting HSE or Ability to Benefit Enrollment and Achievement**

**NLF:** AEL grantees must be aware that HB 1949 presents an opportunity for TWC to ensure that the AEL program has significant capacity and success in helping individuals achieve an HSE or a recognized postsecondary credential. However, it will also require significant change for many grant recipients in terms of building capacity and focusing on service and results in this area.

**Access to Funds:** To receive funding in this category, TWC will review grant recipients’ data related to the Category C measure, and the Commission will approve recommendations regarding the development of performance criteria for the award of funds for capacity improvement milestones toward meeting HB 1949’s performance standards. TWC will outline the criteria in rule.

**INQUIRIES:**
Send inquiries regarding this AEL Letter to AELTA@twc.state.tx.us.

**REFERENCES:**