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Contracting

NORTHERN VIRGINIA BOARD USING WIOA PAY FOR PERFORMANCE

A Virginia local workforce agency, perhaps the first in the nation to implement the Workforce Innovation and Opportunity Act's pay-for-performance contracting authority, is pushing its youth program provider to reach outcomes with justice- and foster system-involved young people that are comparable to goals for all participants.

The SkillSource Group, the local workforce agency serving Fairfax, Loudoun and Prince William counties under the Northern Virginia Workforce Development Board, is just a few months into overseeing a pay-for-performance contract with its WIOA youth program operator, the Fairfax County Department of Family Services. The number of participants enrolled from these targeted populations is already on the rise.

Fairfax DFS works across all three counties running one-stop career centers and youth services for SkillSource Group, which is the fiscal agent for the workforce board. The service provider has about \$150,000 in bonus funding to gain, on top of its cost-reimbursement youth program contract, if it can help a cohort of young people who grew up in these exceptional circumstances find jobs, enter postsecondary education, increase their skills and earn degrees or certificates at rates expected of other young people.

This is the Northern Virginia Team Independence project. Two of its goals are to serve more young people with these particular disadvantages and to see them reach WIOA performance outcomes in line with goals for the program's entire caseload.

"We tried to keep it as simple as possible," SkillSource Group Chief Executive David Hunn told ETR.

Until now, justice- and foster-system young people have only been a small part of the local youth program caseload. Since program year 2011, the local youth program enrolled fewer than 10 young people annually who had been to court or lived in foster care. For perspective, the youth program had 282 participants last year.

Since the July 1 start of this program year through early November, 22 new participants are justice- or

foster-system involved. A goal is to reach a cohort of at least 100 over three program years.

The SkillSource Group is one of five local workforce agencies working with an intermediary, Third Sector Capital Partners, to try out WIOA's pay-for-performance contracting authority. It is the first among them to begin implementation. Third Sector is using a Social Innovation Fund grant to provide technical assistance to help SkillSource Group, as well as workforce agencies in Austin, Boston, Denver and San Diego, make use of WIOA's pay-for-performance contracting provision.

According to Third Sector Chief Executive Caroline Whistler, who appeared at a Capitol Hill briefing on the projects, the Northern Virginia agency is the first workforce board in the nation to use the contracting provision introduced in the 2014 reauthorization of the nation's workforce development legislation.

Numerous provisions of WIOA refer to pay-for-performance contracting. In the law's definitions, Section 3(47) provides an overview. The basics of this new contracting authority are also spelled out in the law's regulations at 20 CFR Parts 683.500 to 683.540.

The Rules

In short, the law allows local workforce agencies to set aside up to 10 percent of their adult, dislocated worker and youth allotments for "pay-for-performance contracting strategies."

These projects must define a problem to be addressed and target populations to be served, as well as outcomes an agency hopes to achieve. A fixed payment must be offered to a service provider for achieving the outcomes. Feasibility studies for the interventions are mandatory and outcomes must be verified by a third party.

Funds set aside are to become available until expended or, in Whistler's words, they become "no-year funding." This money is exempt from the standard two-year cycle of recapture and reallocation of unobligated local funds, which means service providers may be rewarded for achieving outcomes over a longer term than standard WIOA contracts.

The regulations for pay for performance are not as detailed as many other significant new provisions of

WIOA. Federal officials left more to guidance, which remains forthcoming.

According to Hunn, his agency and workforce board decided to proceed with a pay-for-performance project for several reasons. The board's youth committee had noticed a lack of justice- and foster-system youth in the caseload. The agency was making the transition to serving only out-of-school youth, in keeping with WIOA's requirement that 75 percent of youth program funding be spent on this population (up from 30 percent, under prior law). And an opportunity to work with Third Sector popped up.

"I thought this was a great opportunity to take a risk. My board was very supportive. We thought, 'no harm, no foul,'" he said.

There is another bit of back story regarding the SkillSource Group's pay-for-performance attempt.

The local workforce agency became a Ticket to Work Employment Network in 2010. The program is run by the Social Security Administration and offers outcome-based payments to service providers, called Employment Networks, for the employment achievements of disability beneficiaries they serve.

Ticket Expertise

The local workforce agency currently holds about 150 Tickets from disability beneficiaries served in its one-stop career centers. The workforce agency handles the program's red tape and collects its revenue, which is now up to about \$250,000 per year.

According to Hunn, the agency's experience with Ticket has taught it and Fairfax DFS a lot about serving people with disabilities. About 40 percent of youth program participants have a disability, he added.

Under Northern Virginia Team Independence, the pay-for-performance project, Fairfax DFS retains its standard cost-reimbursement youth program contract.

A contract addendum covers the additional pay-for-performance project.

Under the project, Fairfax DFS is to provide the WIOA program elements for out-of-school youth to participants ages 18 to 24 who are not in school and have been involved in foster care or the justice system in Northern Virginia.

The age bracket excludes 16- and 17-year-olds because in Virginia, foster youth must be in school and incarcerated teens must attend classes, which makes them in-school youth for WIOA purposes.

SkillSource is setting aside \$50,000 per year for three program years, making up to \$150,000 in bonus payments available to Fairfax DFS over the course of the project. This is subject to change, based on future federal appropriations.

Quarterly outcomes will be monitored and validated for bonus payments through June 30, 2023, the end of PY 2022, making this a six-year project overall.

"I'm encouraging our case managers to keep these cases open longer and take more time with these participants," Hunn said.

In order to collect bonus payments Fairfax DFS must achieve 63 percent placement in employment or education during the second quarter after exit, 60 percent placement in the fourth quarter after exit, 53 percent measurable skills gains and 68 percent degree or certificate attainment. Payments will be based on achieving these target rates with the cohort of at least 100 participants from the targeted demographics enrolled in the first three years of the contract. Thus, at least 63 participants must achieve second quarter placement in order for a payment to be made for that outcome. Payments of \$712.30 per participant per outcome measure are offered up to total payment pools set aside for each outcome.

The degree or certificate attainment rate target is premised on enrollment of half of the cohort of 100, so at least 34 participants must achieve this outcome in order to collect payments, rather than 68.

The second and fourth quarter placement rates and the degree or certificate attainment rate targets for bonus payments are the same as for the general youth program. SkillSource and Fairfax DFS have exceeded youth program goals in recent years. The idea is that working with the harder-to-serve populations is more challenging, so the bar for them is set at a level that has been achieved for the broader program population.

Because measurable skill gain is a new construct under WIOA's performance structure, the 53 percent target for this outcome was borrowed from the local area's target youth program literacy and numeracy gains measure, held over from the Workforce Investment Act, from PY 2015.

Bonus Payments

Fairfax DFS will be required to use any bonus payments to expand its capacity to provide workforce services.

Hunn credited several developments both large and small with helping the Northern Virginia Team Independence project move forward.

From a policy perspective, in 2015, state lawmakers updated the state's workforce development code to align it with changes from WIOA. In doing so, they included a provision that local workforce development boards are "encouraged" to pursue pay-for-performance contracts. That's now in Virginia Code at Section 2.2-2472(G).

From an administrative perspective, Virginia added a field to its Monthly Expenditure Detail Reports for funding set aside for these projects.

This essentially allows a small pot of money to be dedicated as no-year funding in the agency's fiscal reports to the state.

That may seem like a focus on the minutia, but other workforce agencies working with Third Sector to develop these projects have been delayed by book-

keeping limitations, according to Whistler.

And from an operational perspective, Fairfax DFS, SkillSource and Third Sector have convened a referral partner working group of close to 20 justice and foster care organizations in both the public and nonprofit sectors across the three counties in order to connect with young people from the targeted populations.

“We now have partner agencies sitting down with us, talking to us and referring to us people in these populations ... These partner organizations see the value in what the workforce board can do for them,” Hunn said.

According to the local agency executive, if all else

fails, in the worst-case scenario, the workforce system will have made these new connections.

If all goes well, he hopes more complex pay-for-performance projects will follow in the future.

Maybe someday the Northern Virginia workforce system will be able to implement a contract in the model of a social impact bond, in which outside funders pay for services provided and are reimbursed with public funding only when outcomes are achieved, he said.

For now, the partners are keeping it simple.

—Ryan Hess

About ETR — The *Employment & Training Reporter* is a weekly trade journal covering the field of workforce development with a special emphasis on public sector programs in the United States. Since 1969, ETR coverage of the whole range of U.S. federal, state and local programs has included the Workforce Innovation and Opportunity Act, the Carl D. Perkins Vocational and Technical Education Act, education for employment at the secondary and technical levels, Temporary Assistance for Needy Families and work supports, as well as vocational rehabilitation and employment for the disabled.

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