

Pay for Performance (PFP) FAQs

Overview

What is Pay for Performance (PFP)? PFP is a type of performance-based contract that seeks to maximize the likelihood that a government pays only for demonstrably effective services, and also seeks to secure performance outcomes at a lower cost than might otherwise occur.

What programs may operate PFP projects? Workforce Innovation and Opportunity Act (WIOA) Adult, Dislocated Worker, and Youth programs (title I, subtitle B programs) may use PFP contract strategies. However, WIOA programs (both WIOA title I, subtitle B and other WIOA programs) may implement types of performance-based contracting other than a PFP contract strategy.

What are the advantages of PFP? PFP presents an opportunity to only pay for outcomes achieved rather than for services that may or may not result in positive outcomes. Such an approach can remove unintended incentives for “creaming,” and explicitly direct payments towards employment success for disadvantaged populations. Another advantage is that WIOA allows funds reserved for a PFP contract strategy to remain available to local areas until expended. In contrast, under normal WIOA funding, local areas have only two years to spend their allocations. Any statewide funds that are used for PFP-related activities do not remain available until expended; they have the same durational limit as all WIOA state funds.

Who can implement a PFP project? WIOA gives the local level implementation authority. To implement PFP, a local area should work with its state workforce agency to modify its WIOA grant, so ETA can take the steps necessary to allow the PFP funding to remain available longer. States that operate as a single-state WIOA area may also implement PFP.

What are the basic steps involved in a PFP contract strategy? The principal steps are:

1. A local area conducts a feasibility study or determination to identify the problem the project will address, the population that will be targeted, the services that will be provided, and the performance outcomes that will be used as criteria; and to estimate the acceptable cost to the government associated with achieving the projected performance outcomes.
2. The state submits a modification to its WIOA grant to ETA in order to set aside the funds that will be used for PFP and thus will have a longer obligation period, and establishes financial controls to track this fund use at the local level.
3. The Local area begins its PFP project, including negotiating and awarding a PFP contract.
4. The local PFP project recruits participants and provides services.
5. An independent validator determines if the project has achieved its outcomes.
6. The local area pays for any outcomes as named in its PFP contract. If outcomes have not been achieved, the local area does not pay for outcomes.

PFP Funding

How much WIOA funding can be spent on PFP? Local boards may reserve a maximum of ten (10) percent of their combined local Adult and Dislocated Worker annual allocation, and ten (10) percent of their local Youth annual allocation, for PFP contract strategies. PFP contract strategies may combine these allocations over multiple years to accumulate sufficient funds for a project.



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Can WIOA funds outside the extended disbursement account be used for PFP projects? Yes. WIOA local title I, subtitle B program funding and the Governor's Reserve Fund for statewide activities may be used for the following: the feasibility study, technical assistance, PFP evaluation, PFP performance and financial reporting, and the PFP contract and payouts. Spending on such activities is not subject to the 10 percent limitation, but it cannot be commingled with the extended disbursement account spending. Funds used for these activities are still subject to the usual 2-year limitation.

Can non-WIOA funds be used for PFP contract strategies? Non-WIOA funds may supply the initial funds for services (sometimes called capital or upfront funding). These upfront funding sources may include non-WIOA federal funds; state or local government funds; private sector financing in which reimbursement and potentially a profit is returned to the investor; and private sector funds for which no reimbursement occurs, such as typical foundation financing.

Eligible Individuals and Service Providers, and Allowable Services

Which WIOA title I, subtitle B program participants can enroll in a PFP project? Individuals determined eligible for training services under WIOA title I Adult and Dislocated Worker programs and youth determined eligible for the WIOA title I Youth program may enroll in PFP projects.

Which WIOA services can PFP projects provide? A PFP contract funded with WIOA Adult and Dislocated Worker funds can only deliver training allowable under WIOA §134(c)(3). A PFP contract funded with WIOA Youth funds can deliver any of the 14 program elements listed in WIOA §129(c)(2). These limits apply to the services delivered under a PFP contract, and do not limit the services that any individual participant may need in order to obtain employment. PFP contract recipients may provide additional services to help PFP participants succeed in their training or employment or education programs through other sources of funding including their own funds, WIOA formula funds, or other American Job Center partner programs, as long as these services are supported by a non-PFP fund source.

Which service providers are eligible? PFP service providers must be eligible providers pursuant to WIOA §122 or 123, as applicable. PFP service providers may include local or national community-based organizations or intermediaries, community colleges, or other providers eligible under WIOA §122 or 123, as appropriate.

Performance and Evaluation Requirements

Which performance standards are required, and which are optional? PFP contractually-specified performance outcomes must be based on the primary performance indicators in WIOA §116(b)(2)(A). The contract strategy must meet all the performance outcomes, and all outcomes must be independently validated, before reimbursement can be made with WIOA extended disbursement account funds. PFP contract strategies may utilize performance indicators in addition to the WIOA primary indicators of performance, if they wish.



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How are performance outcomes validated? Validation of performance outcomes by an entity independent of the contract strategy is required prior to payment to PFP contract strategies. The validation must be based on high-quality, reliable, and verified data. The independent validation must include a determination that a PFP contract strategy is in compliance with the DOL performance accountability provisions. Also, if the contract strategy includes performance indicators in addition to the WIOA primary indicators of performance, independent validation of these additional indicators must occur prior to payment. Independent validations must be conducted in accordance with the usual professional standards applicable to validations and audits. Individuals and organizations that have conflicts of interest with the PFP contract strategy cannot conduct the validation. Therefore the validation must involve a separate contract.

What are the PFP evaluation requirements? If a PFP contract exists in the state, then the state must conduct their own evaluation of the WIOA PFP contract strategies, or procure an evaluator for the study. State evaluations must occur in collaboration with state and local boards and other state agencies, and be as rigorous as possible. States have tremendous flexibility in conducting evaluations, and may use a wide range of types and methods. The evaluation results must be electronically available to the state board and the public during the program year that the reports are completed. .

Required Documents and Reports

What documents and forms must a PFP contract strategy submit for local, state, and/or federal review? Below is a summary list.

1. Feasibility study (from the WIOA local area to the state)
2. Extended disbursement account request (from the state to ETA)
3. PFP contract (awarded to a service provider by the WIOA local area)
4. Independent validation of PFP performance outcomes conducted by an independent validator (from the WIOA local area to the state)
5. Performance narrative report 9174 (from the state to ETA), individual performance reporting as part of the required PIRL reports, and in some cases the Eligible Training Provider (ETP) Report
6. An evaluation of the program design and performance strategies (from the state to ETA)
7. For financial reporting, the quarterly ETA 9130 basic report (from the state to ETA)

How does a PFP project report administrative costs? ETA considers all costs for PFP contract strategies to be program costs. PFP related-activities (e.g., the feasibility study, technical assistance, and evaluation) should be classified as program costs or administrative costs based on 20 CFR 683.215.

Inter-Governmental Authority, and Statutory, Regulatory and Guidance Citations

What authority do state and local areas have over PFP contract strategies? The states possess the same authority over how PFP is structured within the state as they do for WIOA activities generally. Local areas have the discretion to pursue a PFP contract strategy. See TEGL No. 08-20 Attachment II for an explanation of selected federal, state, and local PFP roles under WIOA.



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Authorizing legislation and relevant regulations. [WIOA, Public Law No. 113-128](#), enacted July 22, 2015, available online, Sections 3(47), which references 116(b)(2)(A); 116(d)(2)(K); 116(d)(6)(D); 116(h); 129(c)(2), which references 128(b); 134(a)(3)(A)(xiv) and 134(c)(3)(G)(ii)(VI); 134(d)(1)(A)(iii), which references 133(b); and 189(g)(2)(D).

20 CFR 677.215(b). 20 CFR 683.500 through 683.540; 680.140(b)(4); 680.320(a)(5); 681.420(i); 682.210(l).

2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

[Training and Employment Guidance Letter \(TEGL\) No. 08-20](#): Pay for Performance (PFP) Guidance for WIOA title subtitle B online.

