Calculation—Adjusted Level of Performance

The Federal agencies estimate levels of performance based on participant characteristics and economic conditions using an objective statistical model. The pre-program year performance estimate is provided to states prior to the start of the program year during the negotiations process and is a factor in reaching agreement on the *negotiated levels of performance*. After the close of the program year, the Federal agencies will:

(1) re-estimate the coefficients in the *statistical adjustment model* with the additional year(s) of data available;
(2) apply the revised coefficients to the same pre-program year participant characteristics and economic conditions used in calculating the estimated levels of performance to generate the pre-program year estimate (***Estimate$_0$***); and
(3) apply the revised coefficients to the characteristics of the actual participants served and the actual economic conditions of the state to estimate the state's actual program year performance (***Estimate$_1$***).

Federal agencies will subtract ***Estimate$_0$*** from ***Estimate$_1$*** to obtain the *adjustment factor*. The resulting positive or negative *adjustment factor* is added to the *negotiated level of performance* to arrive at the *adjusted level of performance*. These calculations are shown in Examples 1 and 2 below. Refer to section on Determining Performance Success or Failure of the guidance for an explanation of how the *adjusted level of performance* is used to determine performance success or failure.

Example 1: Adjusted Level of Performance Calculation

Expected Level of Performance	68.9%
Negotiated Level of Performance	70.2%
$Estimate_0$	75.5%
$Estimate_1$	73.7%
Adjustment Factor	73.7% - 75.5% = -1.8%
Adjusted Level of Performance	-1.8% + 70.2% = 68.4%

Example 2: Adjusted Level of Performance Calculation

Expected Level of Performance	68.9%
Negotiated Level of Performance	70.2%
$Estimate_0$	75.5%
$Estimate_1$	78.3%
Adjustment Factor	78.3% - 75.5% = 2.8%
Adjusted Level of Performance	2.8% + 70.2% = 73.0%