

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WIOA
	CORRESPONDENCE SYMBOL ETA-OWI
	DATE December 7, 2020

ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 8-20 OPERATING GUIDANCE for the WORKFORCE INNOVATION AND OPPORTUNITY ACT (referred to as WIOA)

TO: STATE WORKFORCE AGENCIES
STATE AND LOCAL STAKEHOLDERS IN THE WORKFORCE
INNOVATION AND OPPORTUNITY ACT
STATE WORKFORCE ADMINISTRATORS
STATE WORKFORCE LIAISONS
STATE AND LOCAL WORKFORCE BOARD CHAIRS AND DIRECTORS
AMERICAN JOB CENTER DIRECTORS

FROM: JOHN PALLASCH /s/
Assistant Secretary

SUBJECT: Pay for Performance (PFP) Guidance for WIOA title I, subtitle B

1. **Purpose.** To provide guidance on PFP for state and local WIOA title I, subtitle B programs that implement PFP contract strategies.
2. **Action Requested.** State agencies, state workforce development boards (WDBs), local WDBs, and American Job Center (AJC, also called one-stop) partner programs must follow the requirements in this guidance as they develop policies and procedures related to PFP.
3. **Summary and Background.**
 - a) **Summary.** This U.S. Department of Labor’s (DOL’s) Employment and Training Administration (ETA) PFP guidance adheres closely to the applicable statutory and regulatory provisions. PFP is a type of performance contract in which WIOA funds are paid only after performance occurs and outcomes are validated.
 - b) **Background.** PFP contracting strategies seek to maximize the likelihood that the federal government pays only for demonstrably effective services, and also seeks to secure performance outcomes at a lower cost than might otherwise occur. WIOA introduced PFP contract strategies as an optional activity for certain services allowable under WIOA title I, subtitle B Adult, Dislocated Worker, and Youth programs.

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PFP evolved from Pay for Success (PFS) projects, which began in the U.S. in 2012. ETA issued two of the first federal competitive grants to pilot test PFS in 2013. The U.S. Government Accountability Office (GAO) conducted a major study of PFS including an examination of several employment projects, which is helpful in understanding some of the complexities involved in various types of performance based-contracting. 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.

4. **PFP Guidance.** See Attachments I and III for all PFP guidance.

5. **Inquiries.** Please direct questions to the appropriate ETA regional office.

6. **References.**

- WIOA, Public Law No. 113-128, enacted July 22, 2015, available at <https://www.gpo.gov/fdsys/pkg/PLAW-113publ128/pdf/PLAW-113publ128.pdf>, 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
- U.S. Government Accountability Office, *Pay for Success: Collaboration among Federal Agencies Would Be Helpful as Governments Explore New Financing Mechanisms*, September 2015, GAO-15-646 (www.gao.gov/products/GAO-15-646)
- ETA Performance TEGs and TENs (Training and Employment Notice)
 1. TEG 14-18, Aligning Performance Accountability Reporting, Definitions, and Policies Across Workforce Employment and Training Programs Administered by the U.S. Department of Labor (DOL), March 25, 2019 (https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=7611)
 2. TEG 05-18, Workforce Innovation and Opportunity Act (WIOA) Annual Statewide Performance Report Narrative, November 7, 2018 (https://wdr.doleta.gov/directives/corr_doc.cfm?docn=3118)
 3. TEG 03-18, Eligible Training Provider (ETP) Reporting Guidance under the Workforce Innovation and Opportunity Act (WIOA), August 31, 2018 (https://wdr.doleta.gov/directives/corr_doc.cfm?docn=3527)
 4. TEG 10-16, Change 1, Performance Accountability Guidance for Workforce Innovation and Opportunity Act (WIOA) Title I, Title II, Title III and Title IV Core Programs, August 23, 2017 (https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3255)
 5. TEN 8-16, Implementation of an Integrated Performance Reporting System for Multiple Employment and Training Administration (ETA) and Veterans' Employment and Training Service (VETS) Administered Programs, August 24, 2016 (https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5317)

7. Attachments.

- Attachment I. Pay for Performance Guidance
- Attachment II. Summary of Selected Major Federal, State, and Local WIOA PFP Roles
- Attachment III. Extended Disbursement Account