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October 8, 2002

**Workforce Investment Act (WIA) Memorandum Number E&T 02-23**

**Topic:** Incentives or Sanctions for Local Workforce Investment Areas (LWIA) for Program Year 2001-02.

**Subject:** The purpose of this memorandum is to provide instructions on determining the eligibility and method for calculating incentive awards or sanctions for LWIAs.

**Purpose:** Program Year 2001-02 represents the second performance year for WIA and the first opportunity to implement an incentive program with the Local Workforce Investment Areas.

For Program Year 2001-02, the state proposes to offer an incentive program that will place emphasis both on percent attainment of goals (as required by the federal government) and on numbers of individuals served (unique to Tennessee).

**Background:** For consideration of incentives or sanctions, evaluation of performance will be based on the extent that the LWIA exceeds, meets, or falls below its negotiated performance level. For each performance measure, the percentage by which the LWIA meets its negotiated performance level will be calculated. Local incentive grant funds awarded may be used for any activities allowed under WIA Title I.

Incentive awards based on outcomes for the Program Year 2001-02 will be split into two award categories:

- A. Percent Attainment/Number of Successful Completers
- B. Cumulative Program/Percent of Population Served

#### A. Percent Attainment/Number of Successful Completers

Each measure is considered complete once four cumulative quarters of data are available. In the WIA program, seven measures are completed at the end of the fourth quarter, three are completed at the end of the first quarter of the following program year, and seven are completed at the end of the second quarter of the following program year. Award amounts will be calculated at each quarter and paid at the end of the second quarter of the following program year (the same time frame for award category "B.")

In order to qualify for an incentive award, the following criteria must be met:

- 1) The award is based on only the measures where actual performance is at or above 100 percent of the set goal for each measure.
- 2) In addition, the area must not fall below 90 percent of the set goal on any of the other measures.
- 3) For customer satisfaction measures, the response rate must be at or above 72 percent to be considered for an award for a customer satisfaction measure. The federal government requires the state to meet a 70 percent response rate.

For each measure in which a number of exiters is calculated (entered employment, retention, etc.) the LWIA will receive a set dollar amount (to be based on funds available) multiplied by the total number of successful completers for that measure.

For measures that do not calculate a number of exiters (customer satisfaction, skill attainment and earnings change, etc.) awards will be calculated by multiplying a set amount of funds with the number of percentage points exceeding 100 percent. (There will be a cap set.)

#### B. Cumulative Program/Percent of Population Served

Once four quarters of cumulative outcomes are available for all programs the remainder of the incentive funds will be awarded. This would be the end of the second quarter of the next performance year. In order to qualify for this category of incentive funds, the LWIA must have 100 percent cumulative program scores in four of the five program areas: Adult, Dislocated Worker, Older Youth, Younger Youth, and Customer Satisfaction.

A lump sum bonus will be awarded on the percentage of population served. The state will calculate the number of total population in the area by the number of total enrollees and rank qualifying areas using the economic factors utilized for fund allocations.

Those serving the largest percentage would receive the highest funds. These awards will range from \$5,000 to \$20,000 by comparing eligible LWIAs.

The state has implemented mandatory technical assistance site visits as a "sanction" since WIA began. The state will continue to impose a sanction on any LWIA not meeting a 100 percent cumulative program score in at least three of the program areas. This state sanction policy is being implemented in accordance with the guidance in Federal Register 666.420. For the Program Year 2001-02, only technical assistance will be required.

Please note that achieving less than 90 percent on any one goal will not result in a sanction. However, LWIAs will not qualify for incentive category "A" if any measure is not achieved at 90 percent of the set goal.

This policy was presented to the State Workforce Development Board on September 27, 2002, for approval. Board members discussed the policy as presented in draft form and voted unanimously to accept as written. The Board will review this policy after awards have been presented for Program Year 2001-02 to consider possible modifications for future awards.

**Contact:** For questions regarding this policy, please contact Susie Bourque at (615) 741-4092 or 1-800-255-5872.

**Effective Date:** Immediate

**Expiration Date:** Indefinite

SKC: SB:RK

