



Local Workforce Innovation and Opportunity Act (WIOA) Policy No. 2018-PL-03

To: All Delegate Agencies, American Job Centers and Sector Centers

From: 
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CEO, Chicago Cook Workforce Partnership

Subject: COST PLUS FIXED FEE POLICY

Date: June 28, 2018

Purpose:

The purpose of this letter is to update and clarify the policy for the determination and payment of a fixed fee to for-profit (commercial) organizations holding a Chicago-Cook Workforce Partnership (The Partnership) Workforce Innovation and Opportunity Act (WIOA) cost-plus-fixed-fee sub-grantee agreement.

References:

- 2 CFR 683.200 (a)(2), (c)(3), (c)(7):
- 2 CFR 683.210 (a)(2):
- 2 CFR 683.295:
- 2 CFR 200.400 (g),
- 2 CFR 200.501(h):
- 2 CFR 2900: 2 CFR 2900.2

Background:

The Partnership is releasing this policy to improve efficiency, accountability, and to keep department policy in line with the U.S. Department of Labor (DOL) and Illinois Department of Commerce and Economic Opportunity (DCEO) requirements.

Policy:

In general, in accordance with applicable requirements, The Partnership will use a structured approach by linking the payment of a fixed fee to a for-profit delegate agency based on negotiated year-end performance benchmarks achieved by that individual delegate agency during the program year.

Specifically, the payment of a fixed fee will be a three (3) step process including:

1. The negotiation with each delegate agency seeking a fixed fee of eligible levels on the benchmarks upon which the fixed fee will be based at the beginning of the program year, and
2. The analysis of the delegate agency's budgeted costs to determine costs allowability, reasonableness and necessity, and

3. The determination of the amount of the fixed fee earned based on year-end achievement of benchmarks, total expenditures as related to budget award and compliance with WIOA policies.

- The percentage of a fixed fee that each delegate agency is allowed for each WIOA program will be negotiated with the initial budget submission at the beginning of the program year.
- The negotiated fixed fee level will range **from four percent (4%) to a maximum of seven percent (7%) of expenditures**, excluding “pass-through” funds, such as those paid out by the delegate agency for supportive services, paid work experience, On-the-Job Training, customized/incumbent worker training or subcontracts for training and indirect costs. The fixed fee level may vary for each WIOA program based on the following criteria:
 - Delegate agency effort, which measures the complexity of the work and the resources required of the prospective delegate to achieve performance.
 - Delegate agency cost risk, which measures the degree of cost responsibility that the delegate will assume.
 - Federal socioeconomic programs, which measures the degree to which the contractor has demonstrated ongoing support for programs of particular interest such as improving services to hard-to serve populations.
 - Delegate agency investments, which measures the degree to which the delegate reinvested past profits to improve its effectiveness and cost efficient operation and develop service capacity in their WIOA programs in Cook County.
 - Past accomplishments, which measures the degree the delegate consistently and efficiently achieved past contract goals.
- For each WIOA program model (for instance, American Job Center, Delegate Agency, Career Pathways, Sector Center”), The Partnership will determine the performance benchmarks that will be used in the determination and calculation of the fixed fee. The set of benchmarks will be drawn from among the measures The Partnership uses in selection of delegate agencies, renewal of grant agreements, and other standard purposes for which The Partnership measures delegate agency performance.
- During the negotiation at the start of each grant agreement year, The Partnership will negotiate the threshold and the fixed fee levels, on these benchmarks, with each for-profit delegate agency.
 - For-profit delegate agencies may choose to seek the fixed fee or not, but must make this determination each year during the grant agreement negotiation period.
 - Some benchmarks may be assigned a weight in relation to the other benchmarks, determined by The Partnership, in calculating the fixed fee level and amount of fixed fee that can be earned in relation to that benchmark. *(See table example attached.)*
- The intent behind the payment of a fixed fee is to promote more efficient and effective contract performance and not merely reward average or historical levels of efficiency. As such, the negotiated level for each performance benchmark used to determine and pay a fixed fee will include a consideration of the delegate agency’s scope of services and program components. A higher fixed fee may be requested for delegate agencies committing to offer a broader scope or higher quality service than other delegate agencies offering the same program.

- For-profit organizations may allocate funds to the fixed fee line item based on a “negotiated eligible” amount equaling between four percent (4%) but no more than seven percent (7%) of their projected expenditures excluding “pass-through” costs such as those paid out by the delegate agency for supportive services, paid work experience, customized/incumbent worker training or subcontracts for training in their WIOA budget. However, the amount that will actually be paid by The Partnership will depend on **actual grant-agreement-end performance and total expenditures**, not to exceed an amount totaling the negotiated percentage of total vouchered expenditures excluding “pass-through” costs such as those paid out by the delegate agency for supportive services, paid work experience, customized/incumbent worker training or subcontracts for training and indirect costs.
- A fixed-fee form detailing the related performance benchmarks, applicable targeted weights and the total budgeted fixed fee amount will be submitted and signed by the delegate agency director and The Partnership Director of WIOA Programs at the beginning of the grant agreement. This letter will serve as an addendum to the budget. The fixed fee line item amounts will be included in the budgets submitted by the delegate agency and approved by The Partnership.
- Performance will be measured and the fixed fee paid separately for each program and funding stream a delegate agency may operate. Thus, for a delegate agency with two separate grant agreements (programs), each having the Adult and Dislocated Worker funding streams, four separate fixed fee line items will be included in that delegate agency’s four separate budgets.

In order to be eligible for any fixed fee, the for-profit delegate agency must meet the following conditions:

1. The delegate agency must first be free from significant compliance issues resulting in disallowed costs and/or ineligible customers. Delegates with significant programmatic compliance and/or fiscal monitoring issues are not eligible for fixed fee.
 2. Once eligible, determine the percentage of the sub-grantee’s expended vouchers to the budgeted award (expended voucher %),
 3. Determine the number of benchmarks achieved as a percentage of the benchmarks to be met, i.e., 3 of 4 benchmarks = 75% (performance %). **If less than 3 of 4 benchmarks were achieved, the sub grantee is not eligible for receiving a fixed fee.**
 4. Then, use the fixed fee percentage, which was negotiated at the beginning of the agreement for the following calculation.
 5. Multiply “expended voucher %” by “performance %” by “fixed fee percentage” to determine the Final Fixed Fee Percentage earned.
- The fixed fee will be paid at the end of the grant agreement period. The fixed fee should be requested on a separate voucher, so that the process of gathering performance data will not delay payment of vouchers for normal program expenditures. Performance data will be generated from the Career Connect and/or IWDS system 30 days following the end of the grant agreement period. **All program data including the exit of all eligible customers (both positive and negative exits) must be entered into Career Connect 30 days following the end of the grant agreement or the fixed fee will be forfeited.**
 - Upon receipt of the fixed fee voucher and generation of the necessary data from the Career Connect/IWDS system and the delegate agency’s program reporting, the Partnership will calculate the fixed fee level on each of the negotiated performance benchmarks. As noted above, the fixed fee may be from 0% (if any negotiated benchmarks were not met) up to 7% (if all benchmarks were exceeded by the requisite level).

- All regular monthly vouchers must be current by the time the fixed fee voucher is submitted, in order that The Partnership can calculate the correct fixed fee payout. The Partnership will make calculations as of 60 days following the end of the contract period, based on all program performance and vouchered expenditures submitted on that date. If vouchers are not current, the fixed fee may be forfeited or calculated based only on expenditures vouchered to date.
- Budget Revisions: At any time during the grant agreement period, or at the end of the grant agreement period, in the event that the delegate agency will not be able to earn the entire fixed fee amount, the delegate agency may request a budget revision to reallocate funds from the Fixed Fee line item. Delegate Agencies experiencing unique situations affecting performance, such as shut down of service due to relocations, may submit a letter requesting changes to the fixed fee benchmarks. Whenever a budget revision is made, for any reason throughout the grant agreement period, the delegate agency's available fixed-fee amounts and fixed fee benchmark form will be recalculated accordingly to reflect the new budget amounts and categories.
- The Partnership will provide further guidance as needed in relation to this policy via procedural instructions and training by Program staff.

Actions Required:

This information should be disseminated to delegate agency staff responsible for maintaining performance data and to staff responsible for budgeting, vouchering and accounting.

Inquiries:

All inquiries should be directed to the Director of WIOA Programs

Effective Date:

Immediately upon Board approval

Attachments:

- A. Fixed Fee Form
- B. Examples for Calculating Fixed Fee

Negotiation Examples

1) ABC agency is awarded \$513,989 in funds. Agency ABC successfully negotiates a fixed fee.

	Negotiated Fixed Fee		
	7%	6%	5%
Award Amt	\$513,989	\$513,989	\$513,989
Pass-Through	-\$75,891	-\$75,891	-\$75,891
Based Amount	\$438,098	\$438,098	\$438,098
Fixed Fee	\$409,437	\$413,300	\$417,236
	\$28,661	\$24,798	\$20,862
			\$16,850

Maximum fixed fee ABC can earn (based on 100% of award expended)

2) ABC's performance benchmarks are determined after the Loading Plan baseline goals have been established.

25%	25%	25%	25%
Number New Registrants	Number 1st Time Placements	Percent of Positive Exits	Training Related Placements
157	151	67.00%	50

If less than 3 of 4 benchmarks were achieved, the sub grantee is not eligible for receiving a fixed fee.

3) The amount that will actually be paid by The Partnership will not exceed an amount totaling the negotiated percentage of total vouchered expenditures.

EXAMPLE1: ABC agency expended 100% of Award and met 4 out 4 benchmarks

	Negotiated Fixed Fee		
	7%	6%	5%
Fixed Fee Payment	\$28,661	\$24,798	\$20,862
			\$16,850

EXAMPLE2: ABC agency expended 100% of Award and met 3 out 4 Benchmarks

	Negotiated Fixed Fee		
	7%	6%	5%
Fixed Fee Payment	\$21,495.44	\$18,598.50	\$18,775.62
			\$12,637.44

Calculation = 100% base contract X 75% times percentage of negotiated fixed fee percentage

EXAMPLE 3: ABC agency expends 80% of award and met 4 out 4 benchmarks

	Negotiated Fixed Fee		
	7%	6%	5%
Fixed Fee Payment	\$22,928	\$19,838	\$16,689
			\$13,480

Calculation= 80% of base contract X 100% times percentage of negotiated fixed fee

EXAMPLE 3: ABC agency expends 80% of award and met 3 out 4 benchmarks

<u>Negotiated Fixed Fee</u>			
7%		6%	5%
\$17,196		\$14,879	\$12,517
			4%
			\$10,110

Calculation= 80% of base contract 75% times percentage of negotiated fixed fee

Fixed Fee Payment

PY 2018
WIOA Youth Fixed Fee Benchmarks

Calculation for Fixed Fee

- Fixed Fee Payment :**
1. 100% profit earned if achievement of 4 goals
 2. 75% profit earned if achievement of 3 goals
 3. 0 profit earned if less 2 or less goals earned

Budget _____

Pass-Through _____ \$0

Expenditures _____ \$0

Max Fixed Fee \$0 **7% of Expenditures**

Fixed Fee Negotiated Goals

	Exploing Plan Goal	Additional Outcomes for Fixed Fee (7%)	Fixed Fee Goal	Current Performance	Verification of Outcomes
Number of Individuals that were Placed into Unsubsidized Employment (does not include subsequent job placements and placement into post secondary education.		10% increase			Review of placement reports drawn from IWDS and Career Connect. Placement start date must be between 7/1/2018 and 6/30/2019. (Also includes placement into post secondary school.)
Percent Positive Exits. (The positive exits for the period divided by the total exits (less neutral exits) for the period)	System Goal				Based on exits that occur between the dates 7/1/2018 and 6/30/2019. Achievement of positive exit benchmarks are dependent upon the exit of all customers no longer active in the program (both positive and negative). Conduct a case file review of customers at the end of the program period to ensure that all remaining customers are active in the program and that the agency is not holding onto inactive customers.
# of youth with paid work experience (The number of youth who are placed into a work experience activity during the year)	Exploing Plan Goal	10% increase	68.0%		Review of service activity reports drawn from Career Connect/IWDS at the end of the program year PY-18
Number of New Enrollments for the program year	Exploing Plan Goal	10% increase			A review of the target population report for the program year drawn from Career Connect. The number of participants newly enrolled into WIOA must occur during the time period of 7/1/18-6/30/19

Print Name and Signature of Director of Programs, The Partnership

Date

Print Name and Signature of President/Executive Director

Date