PURPOSE. To inform local boards and the chief elected officials of the guidelines for the negotiation process for the WIOA title I programs (Adult, Dislocated Worker, and Youth) for PY 2018 and PY 2019. Once negotiated levels are agreed upon by each local board, the chief elected official and the State they will be incorporated into the Local Area Grant Agreement.

REFERENCE(S).
- WIOA Common Performance Reporting information collection (OMB No. 1205-0526)

BACKGROUND
The Workforce Innovation and Opportunity Act (WIOA) sets the primary indicators of performance and performance reporting requirements. This guidance provides guidelines for the negotiation process for the WIOA title I programs (Adult, Dislocated Worker, and Youth) for PY 2018 and PY 2019.

Under section 116(b)(2)(A) of WIOA, as well as in the statute’s implementing regulations at 20 CFR 677.155, there are six primary indicators of performance:

- **Employment Rate – 2nd Quarter After Exit**: The percentage of program participants who are in unsubsidized employment during the second quarter after exit from the program (for title I Youth, the indicator is the percentage of program participants who are in education or training activities, or in unsubsidized employment, during the second quarter after exit from the program);
- **Employment Rate – 4th Quarter After Exit**: The percentage of program participants who are in unsubsidized employment during the fourth quarter after exit from the program (for title I Youth, the indicator is the percentage of program participants who are in education or training activities, or in unsubsidized employment, during the fourth quarter after exit from the program);
- **Median Earnings – 2nd Quarter After Exit**: The median earnings of program participants who are in unsubsidized employment during the second quarter after exit from the program;
- **Credential Attainment**: The percentage of those participants enrolled in an education or training program (excluding those in on-the-job training (OJT) and customized training) who attain a recognized postsecondary credential or a secondary school diploma, or its recognized
equivalent, during participation in or within one year after exit from the program. A participant who has attained a secondary school diploma or its recognized equivalent is included in the percentage of participants who have attained a secondary school diploma or its recognized equivalent only if the participant is also employed or enrolled in an education or training program leading to a recognized postsecondary credential within one year after exit from the program;

- **Measurable Skill Gains:** The percentage of program participants who, during a program year, are in an education or training program that leads to a recognized postsecondary credential or employment and who are achieving measurable skill gains, defined as documented academic, technical, occupational, or other forms of progress, toward such a credential or employment; and

- **Effectiveness in Serving Employers:** Effectiveness of the core programs in serving employers.

**DEFINITIONS.**

- **Expected levels of performance** are the levels of performance for each primary indicator of performance for each core program submitted by the State in the initial submission of the WIOA Unified or Combined State Plan (State Plan) prior to negotiations.

- **Negotiated levels of performance** are the levels of performance for each primary indicator of performance for each core program, agreed to by the State and the Secretary of Labor and the Secretary of Education (the Secretaries) prior to the start of the program year. These negotiated levels of performance must be incorporated into the Unified or Combined State Plan.

- **Adjusted levels of performance** are the negotiated levels of performance after being revised at the end of the program year using the statistical adjustment model (see below). The statistical adjustment model is run before the program year and after the close of the program year to account for actual economic conditions and characteristics of participants served. The difference between the projected levels of performance, estimated by the Departments, before and after the program year will yield an adjustment factor. The adjustment factor will be added to the negotiated level of performance to determine the adjusted level of performance.

- **Actual results** are the results reported by a State for each primary indicator of performance for each core program. Actual results will be compared to the adjusted levels of performance at the close of the program year to determine if the State failed to meet the adjusted levels of performance.

- **Baseline indicators** are certain primary indicators of performance that will be used as baseline data to inform the process to determine the negotiated levels of performance in future program years. States will not propose an expected level of performance for baseline indicators in the State Plan submission for PY 2018 and PY 2019 and will not need to come to agreement with the Departments on negotiated levels of performance. The selection of a certain primary indicator of performance for the designation as a baseline indicator is based on the likelihood of a State having adequate data with which to make a reasonable determination of an expected level of performance and such a designation may vary across core programs. While the Departments will not use baseline indicators in performance calculations and baseline indicators will not be used to determine if a State failed to meet its adjusted levels of performance for purposes of sanctions, States must collect and report data for all primary indicators of performance, including those that have been designated as “baseline.” The performance data reported by States for baseline indicators will serve to support negotiations and to continue to build and refine the statistical adjustment model in future years.
• **Statistical Adjustment Model**, required by WIOA sec. 116(b)(3)(viii), and established by the Departments, is an objective statistical regression model to be used to make adjustments to the State negotiated levels of performance for actual economic conditions and the characteristics of participants served at the end of the program year. It also is a key factor to be used in arriving at mutual agreement on State negotiated levels of performance.

**NEGOTIATION PROCESS for PY2018 and PY2019.**

WIOA sec. 116(c)(2) mandate that States will reach agreement with the local board and the chief elected official on negotiated levels of performance for each of the primary indicators of performance for each of the core programs. The state, local board and the chief elected official will negotiate goals for all non-baseline indicators for both PY 2018 and PY 2019.

The primary indicators of performance to be negotiated for PY 2018 and PY 2019 for core programs are:

- Employment Rate – 2nd Quarter After Exit;
- Employment Rate – 4th Quarter After Exit;
- Median Earnings – 2nd Quarter After Exit (for title I Adult and Dislocated Worker programs only);
- Credential Attainment

The primary indicators of performance that are baseline indicators are:

- Measureable Skills Gains
- Median Earnings (for title I Youth program only)
- Effectiveness in Serving Employers

The PY 2018 and PY 2019 negotiation process will proceed as outlined below:

- Each local board will submit expected levels of performance to the WIOA Performance Administrator based on the local board’s analysis of factors that may affect performance. Expected levels of performance must be stated to the nearest tenth of a percent (XX.X%) or to the nearest whole dollar for median earnings.
- After the expected levels of performance are received for each WIOA Title I program the local board, chief elected officials and the state will reach agreement based on the negotiation factors. The negotiation factors that may be used during the negotiation process are described in further section of this guidance. The state will also use the statistical adjustment model as a tool in the negotiation process.
- As part of the negotiation process, the local board will be asked to provide a narrative rationale for the methodology behind its expected levels of performance, considering the factors described in further section of this guidance.
- The negotiated levels of performance are agreed upon and the state will add the negotiated levels of performance into the grant agreements for PY 2018 and PY 2019.

**REACHING AGREEMENT on PRIMARY INDICATORS of PERFORMANCE.**

The local board must submit their expected levels of performance and their narrative rationale for methodology by September 1, 2018. Negotiated levels of performance must be agreed upon no later than September 30, 2018.
NEGOTIATION FACTORS.
In reaching agreement on the negotiated levels of performance, local board and chief elected officials shall take into account the following factors in WIOA sec. 116(b)(3)(A)(v):

1. *How the levels involved compare with the State adjusted levels of performance established for other States;*

The local board may use annual WIA performance information (PY 2007-2015) and PY 2016 WIOA performance information to inform the determination of expected levels of performance for PY 2018 and PY 2019. When using BLS data, or any data source, as a guide, local boards should be careful to consider the time frames covered by employment and wage information and the relative time periods in which program exiters entered employment and obtained post-program earnings. For example, when looking at unemployment rates for a given geographical region, it is important to align the time period to the lagged timing of the indicator target being established.

2. *How the levels involved have been proposed using an objective statistical adjustment model provided by the Departments.*

WIOA sec. 116(b)(3)(A)(v)(II) requires the use of the statistical adjustment model in the negotiations process. Per 20 CFR 677.170(c), the model is to be based on the differences among regions in actual economic conditions (including, among other factors, differences in unemployment rates and job losses or gains in particular industries) and the characteristics of participants, such as indicators of poor work history, lack of work experience, lack of educational or occupational skills attainment, dislocation from high-wage and high-benefit employment, low levels of literacy or English proficiency, disability status, homelessness, ex-offender status, and welfare dependency. Attachment I provides each regions with a statistical adjustment model based on their individual labor market information.

3. *The extent to which the levels involved promote continuous improvement and ensure optimal return on the investment of Federal funds.*

The State considers continuous improvement to be a critical factor in the negotiations process. The State acknowledges that there are many ways to define continuous improvement. Continuous improvement may reflect an increase in the level of performance, a change in service strategy and delivery, or a change in the customers served. The customers served by the local area may have a significant impact on outcomes depending on the type of services provided and other factors unique to the population. WIOA emphasizes serving those individuals with barriers to employment and individuals more at-risk of not connecting to the labor market. The State encourages local areas to serve individuals with barriers to employment who need higher levels of service to achieve a positive outcome; the impact of serving these customers will be accounted for in the adjusted levels of performance calculated after the program year and will not be used to determine negotiated levels of performance. Further local concerns about achieving program year indicators of performance outcomes is not an appropriate reason to delay enrolling a customer in the program. The state supports efforts that will help local areas reach a wider variety of available workers as they expand their talent pipelines and encourages States to consider the importance of serving the youth most in need, especially out-of-school youth (including those who are dropouts, in foster care, homeless or runaways, subject to the juvenile or adult justice system, pregnant or parenting, basic skills deficient, or English language learners).
4. The extent to which levels involved will assist the State in meeting the performance goals established by the Secretaries of Education and Labor in accordance with the Government Performance and Results Act (GPRA) of 1993.

Throughout the performance negotiations process, States should be aware of the GPRA goals the Departments have established and the GPRA Modernization Act of 2010. The Departments will use the GPRA goals as one of several benchmarks by which to gauge their States’ proposed levels of performance in the context of these national system goals. GPRA is an important mechanism by which Congress and OMB evaluate the success of Federal programs, including those operated by States and local areas.

GPRA goals for the Department of Labor Employment and Training Administration programs can be found at https://www.doleta.gov/performance/goals/gpra.cfm.

ACTION(S) REQUIRED.
- The local boards are requested to distribute this information to the appropriate local board staff and chief elected officials.
- The local board must submit their expected levels of performance and their narrative rationale for methodology by September 1, 2018

ATTACHMENT(S).
Attachment I: Regional Statistical Adjustment Model(s)

INQUIRIES:
Please direct all inquiries to your liaison at Workforce Solutions.

Yolanda Montoya-Cordova, WIOA SAE
New Mexico Department of Workforce Solutions