



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

---

May 21, 2001

Joint Committee on Finance

Paper #1043

### *Temporary Assistance for Needy Families (TANF)*

### **W-2 Contract Policy Issues (DWD -- Economic Support and Child Care)**

---

#### **CURRENT LAW**

##### **Performance Standards in the Current W-2 Agency Contracts**

Under current law, Wisconsin Works (W-2) agencies must meet performance standards established by the Department of Workforce Development (DWD). If agencies do not meet the standards, DWD may withhold or recover any or all payment from the W-2 agency.

Under the current W-2 contracts, which run from January 1, 2000, through December 31, 2001, agencies must meet all base contract benchmarks to be eligible for community reinvestment funds. Community reinvestment funds equal 3% of each agency's contract amount.

For agencies that meet all of the base contract benchmarks, unrestricted performance bonuses (profit) can be earned for meeting benchmarks in the following areas: (a) placement of W-2 participants into unsubsidized employment; (b) wage rate in unsubsidized employment; (c) job retention rate for participants in unsubsidized employment; (d) number of participants engaged in appropriate activities for the required number of hours; (e) number of participants in basic educational activities who do not have a high school diploma or its equivalent; and (f) number of participants in unsubsidized employment where employer health insurance is available. There are two tiers for the unrestricted performance bonuses. If an agency meets the standards in the first tier, it is eligible to receive a bonus equal to 2% of its contract amount. Agencies that meet the first and second tiers are eligible for an additional 2% profit for a total of 4% profit. If an agency does not meet a specific benchmark, a one-case credit is provided in certain instances. This allows DWD to treat one of the agency's cases as if it did meet the benchmark.

There are also two optional performance standards that can be used in place of one of the other criteria to meet the second tier standards for unrestricted bonuses: (a) having one or more faith-based contracts; and (b) having 50% of participants assigned to basic skills or job skills training complete the required training successfully.

### **Performance Standards for the Next W-2 Agency Contracts**

For contracts beginning January 1, 2002, a statutory provision will go into effect stating that DWD must base any performance bonus calculation for W-2 agencies on all of the following performance criteria: (a) the placement of participants in W-2 employment positions into unsubsidized employment; (b) whether the placement is full-time or part-time; (c) the job retention rate of former participants in W-2 employment positions, as defined by DWD; (e) appropriate implementation of W-2; and (f) customer satisfaction. In addition, DWD will not be allowed to base any performance payments on caseload decreases or reduced spending by W-2 agencies that are not directly attributable to placement of participants in unsubsidized employment.

### **Right of First Selection**

The statutes require DWD to utilize a right of first selection process to select agencies to administer W-2. The statutes require DWD to contract with a W-2 agency if the agency has met the performance standards established by the Department during the immediately preceding contract period. The term of the subsequent contract must be for at least two years.

In addition, the current W-2 contracts state that a right of first selection process will be used for the next W-2 contracts. In order to meet the right of first selection criteria, an agency must meet the following base performance standards: (a) 35% or more of participants have entered unsubsidized employment; (b) the wage rate for participants in unsubsidized employment is at the base wage rate set by DWD for that county; (c) the job retention rate is 75% for participants in unsubsidized employment after 30 days and 50% after 180 days; (d) 80% of W-2 and food stamp employment and training (FSET) program participants are engaged in appropriate activities for the required number of hours; (e) 80% or more of W-2 and FSET participants without a high school diploma or equivalent are engaged in educational activities; and (f) 30% or more of participants who entered unsubsidized employment are receiving employer health insurance.

### **Geographic Regions**

DWD is authorized to determine the geographical area that each W-2 agency will cover. No area can be smaller than one county, except for American Indian reservations and Milwaukee County. An area may include more than one county. Milwaukee County is currently divided into six regions.

## **GOVERNOR**

No provisions.

## **DISCUSSION POINTS**

### **W-2 Contracting Process**

1. DWD has begun the process for selecting agencies for the 2002-2003 W-2 contracts. DWD is conducting a two-phase process. The first phase is for agencies that met the criteria for right of first selection and the second phase is a competitive process for geographic regions where contracts were not awarded through the right of first selection process.

2. DWD notified W-2 agencies on February 16, 2001, regarding whether or not they met the performance standards necessary to gain right of first selection for the next W-2 contracts. Three agencies did not meet the initial criteria: Bayfield County, Bad River Tribe and Menominee County. All three agencies appealed and the Bad River Tribe's appeal was successful. In order for a right of first selection agency to be awarded the next contract, it must submit a plan to DWD for approval. On April 23, 2001, DWD released a final document asking right of first selection agencies to submit plans for the next W-2 contracts. Agency responses are due by June 4, 2001. Right of first selection agencies will be notified whether their plan was accepted by July 6, 2001.

3. A request for proposals is anticipated to be released on June 25, 2001, and proposals will be due on August 6, 2001. This process is for geographic regions in which the current W-2 agency did not win right of first selection, or chose not to submit a plan under the right of first selection.

4. DWD's draft contract terms would substantially change the performance standards adopted in the current W-2 contracts, and have implications for future contracts through the proposed right of first selection process for the 2003-2004 contracts. In addition, DWD proposes several new initiatives to increase accountability of W-2 agencies. These issues are discussed in this paper. Alternative numbers are provided in the text for reference purposes. Funding allocations for each element of the W-2 contract are discussed in Paper #1042.

### **Performance Standards**

5. In DWD's right of first selection document, the Department proposes major modifications to the performance standards. These standards are proposed to be used for four key purposes: (a) set a minimum performance level necessary to be in compliance with the contract; (b) set a performance benchmark necessary to obtain right of first selection for the 2004-2005 W-2 contracts; (c) set a performance benchmark necessary to receive restricted community reinvestment funds; and (d) set a performance benchmark necessary to receive unrestricted performance bonus funds.

6. For the 2000-2001 W-2 contracts, agencies were only required to meet base contract requirements to receive community reinvestment funds. In addition, the current W-2 contracts have two tiers of criteria for earning performance bonuses. Under DWD's proposed performance standards, there would only be one tier of criteria for unrestricted performance bonuses.

7. DWD also recommends continuation of the one-case credit for performance standards, in recognition that one-case can make a significant difference in the calculation of the performance standards, especially for small agencies. This credit allows DWD to treat one-case that does not meet a particular performance benchmark as having met that benchmark. This credit would apply when: (a) the Department makes the final determination of whether a W-2 agency meets a benchmark level for a performance standard criterion; (b) the W-2 agency does not meet the benchmark for one of the following criteria: entered employment placement rate, job retention rates, full and appropriate engagement, basic education activity, earnings gain and/or educational activities attainment; (c) at least one of the agency's cases for the benchmarks listed in (b) does not meet the benchmarks for the criteria in (b); and (d) the W-2 agency would meet a benchmark for one of these criteria if a one-case credit were applied. The one-case credit would apply only once per agency per criterion listed in (b). The application of the one-case credit could result in the W-2 agency meeting the base contract benchmark or the next benchmark beyond what the W-2 agency would otherwise meet.

8. It could be argued that agencies should only receive a one-case credit in order to meet the base contract benchmark and that the number of cases meeting a specific performance standard should not be artificially inflated to enable them to receive community reinvestment or performance bonus funds. A total of eight agencies would not have met the right of first selection criteria for the 2002-2003 W-2 contracts without the one-case credit: Chippewa, Crawford, Pepin, Ozaukee, Sawyer, Waupaca, Wood, and Oneida Tribe. (Alternative 1)

9. DWD also proposes to institute a new zero-case credit, which would enable agencies to meet the base contract and right of first selection benchmark in situations where they have no cases for a performance standard. For example, if an agency does not have any cases where participants are engaged in education activities, a zero-case credit would allow the agency to meet the base contract and right of first selection benchmark for that standard. The zero-case credit would not enable agencies to receive community reinvestment funds or performance bonuses. This credit was established to avoid penalizing small agencies that do not have any cases for a particular performance standard. It could be eliminated if the Committee would not like to reward agencies without any cases for a particular performance standard. (Alternative 2)

10. According to DWD's draft contract terms, agencies would be required to meet the base contract benchmark for all performance standards in order to be eligible to receive performance bonuses. Agencies could then receive bonuses for meeting individual benchmarks. DWD states that the bonuses would be divided equally between community reinvestment and unrestricted performance bonuses. The allocation breakdowns for community reinvestment and performance bonuses are discussed in Paper #1042. For the community reinvestment bonus, 65% would be allocated for the priority participant outcomes standards (employment placement, earnings

gain, job retention, full and appropriate engagement, education activities and education attainment) and 35% for the high quality and effective case management services performance standards (caseload ratio, staff training and appropriate tier placement). For the unrestricted bonuses, 60% of funding would be allocated for the priority participant outcomes standards; 30% for the high quality and effective case management services performance standards; and 10% for the customer satisfaction standard.

11. A comparative chart showing the current performance standards versus the proposed performance standards is presented in Attachment 1. In addition, a chart showing W-2 agency performance for calendar year 2000 under the current standards is presented in Attachment 2. Attachment 3 shows the proposed allocations for community reinvestment and unrestricted bonuses and presents an example of the amount a W-2 agency could potentially receive. An analysis of each proposed performance standard for the 2002-2003 contracts is presented below.

***a. Entered Employment Placement Rate***

12. The entered employment placement rate standard measures the number of W-2 and FSET program participants who enter unsubsidized employment. This standard would be modified from the current contracts to measure full-time versus part-time employment as required in a statutory provision that goes into effect on January 1, 2002. The base contract and right of first selection benchmark would be 35% for full- and part-time jobs, the community reinvestment benchmark would be 35% for full-time jobs only and the unrestricted bonus benchmark would be 40% for full-time jobs only. As shown in Attachment 2, the average performance on this benchmark in calendar year 2000 was 51%. Because DWD has proposed that this benchmark be changed, only the base contract benchmark is directly comparable to the revised performance standard.

13. It could be argued that the base contract benchmark for this standard should be increased because most agencies are exceeding it and agencies should only be awarded for above-average performance. Based on average performance in calendar year 2000, this benchmark could be increased to 50%. This benchmark could also be increased to a higher amount if the Committee would like to hold W-2 agencies to a higher standard. (Alternative 3a)

14. DWD based the community reinvestment and unrestricted bonus benchmark levels on performance data from calendar year 2000. During that time, 35.4% of participants served entered full-time employment. To hold the W-2 agencies to a higher standard, the Committee could increase these benchmark levels to 40% and 45%, respectively. (Alternative 3b)

15. DWD defines full-time work as 30 or more hours per week. Part-time work is defined as less than 30 hours per week. Concerns have been raised that this standard would not reward agencies that help participants gain two part-time jobs equal to 30 or more hours per week. The existing statutory language could be interpreted to permit DWD to allow two part-time jobs to be considered full-time employment. However, for clarification purposes, the statutory provision could be modified to define full-time employment for the purposes of performance bonuses as working in one or more jobs for a total of 30 hours or more per week. (Alternative 4)

***b. Earnings Gain***

16. The earnings gain standard measures the percentage of W-2 participants with earning gains. The benchmark would measure earning gains only for participants assigned to unsubsidized employment and case management follow-up from the start to end of their participation. The base contract and right of first selection benchmark would be 50% with any earnings gain, the community reinvestment benchmark would be 50% with an average monthly gain of \$50 and the unrestricted bonus benchmark would be 50% with an average monthly gain of \$100. If a participant works 40 hours per week, a \$50 monthly gain would require a wage increase of \$0.29 per hour. A \$100 monthly gain would require a wage increase of \$0.58 per hour.

17. In its draft right of first selection document, DWD initially recommended that the community reinvestment benchmark be 50% with an average monthly gain of \$100 and that the unrestricted bonus benchmark be 50% with an average monthly gain of \$200. If a participant works 40 hours per week, a \$200 monthly gain would require a wage increase of \$1.16 per hour. DWD reduced these requirements based on comments received by W-2 agencies that the goals were unrealistic. If the Committee would like to hold W-2 agencies to a higher standard, it could impose the more aggressive benchmarks originally proposed by the Department. (Alternative 3c)

18. The proposed earnings gain standard would only measure the earnings gain of W-2 participants. DWD states that FSET participants were excluded due to their quick entry and exit patterns. According to data from DWD for the period of January, 2000, through March, 2001, the average length of participation for FSET participants statewide was 3.1 months. In addition, 73.1% of FSET participants are in the program for three months or less and 83.0% of participants are in the program for four months or less. However, the Committee could choose to add the FSET population to the earnings gain standard because FSET is an integral component of the W-2 contract. (Alternative 3d)

19. The earnings gain standard is proposed to replace the wage rate standard included in the current W-2 contracts. Under the proposed contract terms, the wage rate standard would become an informational standard and would not be used to calculate bonuses. Under the 2000-2001 W-2 contract, the wage rate standard compared the wage rate for W-2 and FSET participants at the time of job placement to the average wage rate attained in each region in 1998. The first tier bonus benchmark was 102.5% of the base wage rate and the second tier bonus benchmark was 105% of the base wage rate. As shown in Attachment 2, the average performance on this benchmark in calendar year 2000 was 117%.

20. Concerns have been raised that it is still important to measure earnings at the time of placement because W-2 agencies should be encouraged to place participants in the highest wage rate possible so that they can move out of poverty as quickly as possible. Accordingly, the wage rate standard could be reinstated as a mandatory standard. To make the standard more meaningful, the base wage rates for each W-2 region could be increased to reflect average wages earned by participants in the first six months of 2001. (Alternative 3e)

**c. *Job Retention Rate***

21. The job retention rate performance standard measures the percentage of W-2 and FSET participants that remain employed after a 30-day and 180-day contact. This standard would be modified to require agencies to meet both standards to receive performance bonuses. Under the current contracts, agencies can still receive bonuses if only one of these criteria is met. For 30-day follow-up, the base contract and right of first selection benchmark would be 75%, the community reinvestment benchmark would be 80% and the unrestricted bonus benchmark would be 85%. For 180-day follow-up, these percentages would be 50%, 55% and 60%, respectively. As shown in Attachment 2, the average performance on this benchmark in calendar year 2000 was 86% after a 30-day follow-up and 66% after a 180-day follow-up. These averages would exceed all of the proposed benchmarks for these criteria. In addition, if agencies continued the same level of performance into the next contract, 86% would meet the benchmark for community reinvestment funds for a 30-day follow-up and 89% would meet that benchmark for a 180-day follow-up. In addition, 60% would meet the benchmark for unrestricted performance bonuses for a 30-day follow-up and 74% would meet the benchmark for a 180-day follow-up.

22. It could be argued that the benchmarks for this standard should be increased because most agencies are greatly exceeding the current benchmarks and agencies should only be awarded for above-average performance. Accordingly, the base benchmark for 30-day follow-up could be increased to 85%, the community reinvestment benchmark could be increased to 90% and the unrestricted performance benchmark could be increased to 95%. The base benchmark for 180-day follow-up could be increased to 65%, the community reinvestment benchmark could be increased to 70% and the unrestricted performance benchmark could be increased to 75%. The benchmarks could also be increased to other amounts if desired. (Alternatives 3f and 3g)

23. Another option would be to also measure job retention rates after 360 days to take a more long-term perspective. Because the contracts are only for two years, only a limited amount of data would be available for a 360-day benchmark. If the Committee wishes to add this standard, it may be most appropriate as an informational standard. (Alternative 3h)

**d. *Full and Appropriate Engagement***

24. Full and appropriate engagement is defined as W-2 and FSET participants appropriately engaged in work and educational activities with a current employability plan. In addition, participants receiving a time extension must be assigned to one or more of the following activities: substance abuse assessment, substance abuse counseling, disability assessment, mental health assessment, mental health counseling, SSI advocacy/application, physical rehabilitation, domestic violence services or personal care. This differs from the current full and appropriate engagement standard, which requires a certain number of hours to be worked by W-2 and FSET participants. The base contract and right of first selection benchmark would require 80% of participants to be fully and appropriately engaged in allowable activities, the community reinvestment benchmark would require 85% and the unrestricted bonus benchmark would require 90%. As shown in Attachment 2, the average performance on this benchmark in calendar year 2000

was 93%, which would exceed all of the proposed benchmarks for this criterion. In addition, if agencies continued the same level of performance into the next contract, 93% would meet the benchmark for community reinvestment funds and 83% would meet the benchmark for unrestricted performance bonuses.

25. It could be argued that the benchmarks for this standard should be increased because most agencies are significantly exceeding the current benchmarks and agencies should only be awarded for above-average performance. Accordingly, the base benchmark could be increased to 90%, the community reinvestment benchmark could be increased to 95% and the unrestricted performance benchmark could be increased to 100%. The benchmarks could also be increased to other amounts if desired. (Alternative 3i)

*e. Basic Education Activities*

26. The basic education activities standard would measure the percentage of adult W-2 participants in appropriate education and training activities. This differs from the current standard because it excludes FSET participants. The base contract and right of first selection benchmark would be 80%, the community reinvestment benchmark would be 85% and the unrestricted bonus benchmark would be 90%. As shown in Attachment 2, the average performance on this benchmark in calendar year 2000 was 90%, which would meet or exceed all of the proposed benchmarks for this criterion. In addition, if agencies continued the same level of performance into the next contract, 89% would meet the benchmark for community reinvestment funds and 75% would meet the benchmark for unrestricted performance bonuses.

27. It could be argued that the benchmarks for this standard should be increased because most agencies are exceeding the current benchmarks and agencies should only be awarded for above-average performance. Accordingly, the base benchmark could be increased to 90%, the community reinvestment benchmark could be increased to 95% and the unrestricted performance benchmark could be increased to 100%. The benchmarks could also be increased to other amounts if desired. (Alternative 3j)

28. The Committee could also modify this standard to include FSET participants since FSET is an integral part of the W-2 contract. DWD states that it took FSET participants out of this standard because of their quick entry and exit patterns. (Alternative 3k)

*f. Educational Attainment*

29. DWD proposes to add a new performance standard for educational activities attainment. This standard would measure the percentage of adult W-2 participants completing any educational or training activity. The base contract and right of first selection benchmark would be 35%, the community reinvestment benchmark would be 40% and the unrestricted bonus benchmark would be 45%. DWD used data on how agencies performed in the current educational activities standard to determine the appropriate percentages for each benchmark. The benchmarks are much lower for the proposed educational attainment standard than for the basic education activities



standard because fewer participants are anticipated to complete education activities than are enrolled.

30. The Committee could modify this standard to include FSET participants since FSET is an integral part of the W-2 contract. DWD states that it took FSET participants out of this standard because of their quick entry and exit patterns. (Alternative 3m)

31. For the current W-2 contracts, there is a similar optional standard that measures successful completion of a basic skills or job skills program. A total of 50% of W-2 and FSET participants assigned to basic skills or job skills training must complete the required training successfully in order to meet the standard. Only eight agencies were meeting this standard at the end of calendar year 2000. This low rate may be due to limited emphasis placed on this benchmark by agencies since they can only substitute one optional standard for a mandatory standard and it is much easier for agencies to meet the other optional standard-- entering into a faith based contract. Based on performance under the current basic skills attainment standard, the unrestricted bonus benchmark for the new educational attainment standard could be set at 50%. The other benchmarks for the new educational attainment standard could be set at 40% for the base contract and right of first selection benchmark and 45% for the community reinvestment benchmark. (Alternative 3L)

***g. Staff Caseload Ratio***

32. DWD proposes to add another new performance standard requiring financial and employment planners (FEPs) to have a caseload of no more than 55 W-2 cash cases at one time. In addition, FEPs could not have more than 70 cases in all other programs for a total of 125 cases. Under the base contract benchmark, agencies would have to meet this requirement for all eight quarters of the contract. For right of first selection, agencies would have to meet this requirement for the first four quarters (which is the timeframe for measuring performance for right of first selection). This standard would not be used for community reinvestment or unrestricted performance bonuses. This standard is included in the current W-2 contracts and has been in place since W-2 was first implemented. However, according to DWD, this standard was not based on quantitative or qualitative research.

***h. W-2 Agency Staff Training***

33. Another new standard proposed by DWD is to require W-2 agency staff and subcontractors working as FEPs to meet DWD's training requirements. The base contract and right of first selection benchmark would require 90% of agency staff and subcontractors to meet the training requirements, the community reinvestment benchmark would require 95% and the unrestricted bonus benchmark would require 100%.

34. The current W-2 contracts require W-2 agencies to ensure that all staff, including subcontracted staff, complete prescribed Department training. It could be argued that staff training is an intrinsic element of the W-2 program and that the base contract requirement should be that 100% of staff meet training requirements. If the base contract standard is raised to 100%, then this

standard would not be used in determining community reinvestment funds and performance bonuses. (Alternative 3n)

***i. Appropriate W-2 Tier Placement***

35. DWD is also proposing adding a new standard for appropriate W-2 tier placement. Under this standard, the Department would measure the percentage of W-2 participants that receive an assessment within 30 days to determine the appropriate W-2 placement. In addition, the assessments for W-2 transitional placements would need to be done by a medical professional. The base contract and right of first selection benchmark would be 80%, the community reinvestment benchmark would be 85% and the unrestricted bonus benchmark would be 90%.

36. An argument could be made that appropriate placement of W-2 participants is a key requirement and responsibility of W-2 agencies and that base contract requirement should be 100%. If the Legislature chooses to raise the base contract standard to 100%, then this standard would not be used in determining community reinvestment funds and performance bonuses. (Alternative 3o)

***j. Extension Requests***

37. Another new performance standard proposed by DWD would address extensions beyond the 24- and 60-month time limits for participants. To meet the base contract and right of first selection benchmark, agencies would be required to process at least 85% of extension requests in a timely manner. In addition, at least 95% of extension requests would have to be documented in CARES in a timely manner. Both criteria would have to be met for an agency to meet the base contract and right of first selection benchmark. This standard would not be used in calculating community reinvestment or unrestricted bonus allocations. The W-2 manual requires that W-2 agencies submit requests for extensions to DWD to extend the 24-month time limit no later than three months prior to the last day of the participant's 24<sup>th</sup> month. If the W-2 agency decides that a subsequent extension is necessary, then it must submit a request to DWD no later than one month prior to the last day of the extension period. For the 60-month time limit, W-2 agencies have the authority to decide whether an extension is warranted but there are not currently any required time lines in the W-2 manual. DWD indicates that it will be releasing a policy soon on how to address extensions of the 60-month time limit.

38. An argument could be made that timely processing and documentation of extension requests is imperative to prevent gaps in services and that the base contract and right of first selection benchmark should be increased to 100%. (Alternative 3p)

***k. Customer Satisfaction***

39. A statutory provision that will go into effect for the 2002-2003 W-2 contracts mandates that customer satisfaction be one of the standards for awarding any performance bonuses. DWD has developed a performance standard to address this requirement. For the base contract and right of first selection benchmark, agencies would have to have a score of at least 6.5 on a 10-point scale on each item surveyed. The following 10 items are proposed to be surveyed:

- Staff clearly explained what programs and services were available
- Staff treated participants with respect
- Staff was helpful
- Staff assisted in transportation, if needed
- Staff assisted in child care, if needed
- Staff returned phone calls within two business days
- Agency was open when participants could come in
- Staff set up after-office hours, if needed
- Participants felt comfortable going to the agency
- Participants were satisfied, overall, with service

40. While agencies would not receive community reinvestment funds under this performance standard, 10% of the performance bonus funding would be allocated to the 10 top-scoring agencies on a proportional basis based on caseload. Agencies would not be allowed to receive more than 200% of their contract allocations. For example, an agency with a base allocation of \$250,000 could receive a customer satisfaction bonus of up to \$500,000. Limiting this performance standard to the 10 top-scoring agencies could result in proportionally large awards for small agencies. An alternative would be to provide performance bonuses to all agencies that score above a certain amount on each question, such as 6.5, 7.0 or some other amount. (Alternative 3q)

#### ***I. Financial Management***

41. DWD has also added a performance standard focusing on financial management. In order to be in compliance with the base contract or to gain right of first selection, agencies could have no significant audit finding as determined by DWD in its single agency audit or any audit conducted by DWD or the Legislative Audit Bureau. This standard would not be used in determining community reinvestment and performance bonus funds.

42. Through its audits of W-2 agencies, the Legislative Audit Bureau identified ineligible and questioned expenditures made by several W-2 agencies associated with the 1997-1999 W-2 contracts, primarily at Maximus and Employment Solutions, Inc. (ESI) in Milwaukee County. Because of the right of first selection process outlined in the current W-2 contracts and in the statutes, audit findings could not be used to determine whether any agency would gain right of first selection. The right of first selection process will be discussed in detail later in this paper. This new standard would prevent an agency with "significant" audit findings from gaining the right of first selection.

43. DWD does not define what would constitute a significant audit finding because a variety of factors may be involved in audit reports. It could be argued that any unallowable or questioned costs in excess of a certain dollar amount should be classified as a significant audit finding. Maximus had \$780,013 in unallowable and questioned costs while ESI had \$367,401 in unallowable and questioned costs. Other agencies had unallowable and questioned costs ranging from \$882 in Kenosha County to \$76,257 in Opportunities Industrialization Center in Milwaukee County. A standard could be set at \$25,000 per contract, \$50,000 per contract or some other amount. (Alternative 3r). A standard could also be set at a certain percentage of the contract amount. (Alternative 3s)

44. Another option would be to establish different thresholds for unallowable and questioned costs because agencies may ultimately be successful in arguing that some of the questioned costs are permissible. Maximus had \$380,575 in unallowable costs and \$399,438 in questioned costs. Employment Solutions had \$306,167 in unallowable costs and \$61,234 in questioned costs. Other agencies had \$12,604 in unallowable costs and \$91,237 in questioned costs. Of these agencies, the highest amount of unallowable costs was \$4,168 in YW Works and the highest amount for questioned costs was \$66,855 in Opportunities Industrialization Center, both in Milwaukee County. A threshold for unallowable costs could be set at \$25,000 and a threshold for questioned costs could be set at \$50,000 or some other combination of amounts. If an agency surpassed either threshold within a contract period, they would not meet the base contract and right of first selection benchmark. (Alternative 3t)

*m. Contract Compliance*

45. Another new performance standard proposed by DWD addresses contract compliance. This standard states that an agency would only be able to meet base contract compliance and the right of first selection if it is not or has not been subject to a corrective action plan for substantial noncompliance as determined by the Department. The term "substantial noncompliance" is not defined. This standard would not be used in calculating community reinvestment or unrestricted bonus allocations.

46. Under DWD's proposed contract terms, W-2 agencies would be able to submit a corrective action plan to address noncompliance with the provisions of the W-2 contract. In addition, W-2 agencies would be required to submit corrective action plans within six days of receipt of a notice from DWD of failure to perform any provision of the contract. If the agency does not fully implement an approved corrective action plan within 10 days of approval, the Department could terminate the contract.

*n. Optional Performance Standards*

47. DWD proposes three optional performance standards: faith-based contracts, SSI advocacy and employer health insurance. The proposed contract terms would allow W-2 agencies to use one of the optional criteria as a substitute for the unrestricted bonus for one of the following six performance standards: entered employment placement rate; earnings gain; job retention rate; full

and appropriate engagement; basic education activities; and educational activities attainment.

48. To meet the faith-based contract standard, agencies would be required to have a valid contract with a faith-based provider, provide services under the contract and have the contract in effect for seven out of eight quarters. This criterion is also an optional standard under the current W-2 contracts and 70 out of 78 agencies had contracts with faith-based providers for three out of the first four quarters of the contract.

49. Some may argue that having a faith-based contract is not truly a measure of performance because similar services could be provided by non-faith based contractors and that this criterion should not be an optional performance standard. (Alternative 3u)

50. For the SSI advocacy standard, agencies would have to have a valid contract or memorandum of understanding between the W-2 agency and an SSI advocacy agency or have an SSI advocate on staff. This criterion is not part of the current W-2 contracts. According to DWD, some currently have contracts with SSI advocates or have SSI advocacy staff, including Adams, Dane, Douglas, Eau Claire, ESI, UMOS, La Crosse and Rock. The Department included this standard because some W-2 participants would be more appropriately receiving SSI because they have long-term disabilities and are not able to comply with the work requirements and time limits under W-2.

51. It could be argued that having SSI advocates is a key component of the services that should be provided by W-2 agencies and should be a base contract requirement and not an optional performance standard. (Alternative 3v)

52. The employer health insurance standard is mandatory in the current W-2 contracts. The base contract and right of first selection benchmark is that 30% of participants placed in unsubsidized employment have employer health insurance within 180 days of placement. The first tier bonus benchmark is 35% and the second tier bonus benchmark is 40%. As shown in Attachment 2, the average performance on this benchmark in calendar year 2000 was 56%, which exceeds all of the current benchmarks for this criterion.

53. DWD states that it made this performance standard optional because the availability of jobs with health insurance is not something that a W-2 agency can control. However, it was retained because statutory language requires that performance bonuses be based on wages and "benefits." It could be argued that this benchmark should remain mandatory since it is important to encourage job placement with employers who have health insurance to reduce the need for the medical assistance and BadgerCare programs. However, the benchmarks could be increased to 55%, 60% and 65% based on performance during calendar year 2000. (Alternative 3w)

54. In the current W-2 contracts, there is also an optional performance standard for basic and job skills attainment. As noted, DWD proposes to modify this standard and make it mandatory. The new standard is described in the educational attainment section above.

*p. Informational Performance Standards*

55. DWD plans to collect data on several indicators to obtain more information about the impact of W-2 on participants. These criteria include: (a) average wage at placement; (b) the percentage of participants in activities designed to reduce and address barriers to employment such as AODA and mental health services; (c) the number of work program participants in children first, welfare-to-work and the workforce attachment and advancement program; (d) the level of in-work supports such as the earned income tax credit, child care, medical assistance, food stamps and child support; (e) the number of participants moving out of poverty during and after program participation; (f) recidivism rates; and (g) activities and employment of 18 and 19 year-olds in school.

56. The average wage at placement standard is mandatory under the current W-2 contracts. An option to retain this as a mandatory standard is discussed under the section on the earnings gain standard above.

*r. Weighting of Performance Standards*

57. In its audit of the W-2 program, the Legislative Audit Bureau stated that weighting performance criteria equally may not be the best approach to measure performance. A suggestion to weight criteria was also included in a May, 1999, letter to DWD from the Co-chairs of the Legislative Audit Committee. The Audit Bureau suggests that it may be more appropriate for some standards, such as the number of participants placed in jobs, to be weighted more heavily than others. In DWD's draft contract terms for the next W-2 contracts, the Department states that total funding allocated for bonuses would be divided as follows: 60% for the priority participant outcomes standards; 30% for the high quality and effective case management services performances standards and 10% for the customer satisfaction standard.

58. Additional weighting of criteria could be implemented to emphasize the statutory goal of W-2 to promote self-sufficiency of participants. Depending on which standards the Committee would like to include for performance bonuses, the Committee could place the greatest weight on criteria that help measure whether participants are moving towards self-sufficiency. These criteria could include: (a) entered employment placement rate; (b) earnings gain; (c) wage rate; (d) job retention; and (e) education activities attainment. The percentage weights for these criteria versus other criteria would depend on how many other performance criteria the Committee recommends be put in place. (Alternative 5)

59. An argument could be made that the weighting proposed by DWD already provides sufficient emphasis on participant outcomes.

**Right of First Selection Process**

60. Through its draft contract terms, DWD has made significant changes to the right of first selection process. DWD would no longer be required to grant the right of first selection to agencies that have significant audit findings or have been subject to a corrective action plan for

substantial noncompliance. However, there may be additional considerations that make it undesirable to grant the right of first selection to particular agencies in the future and the state would be constrained by language in the statutes and the contract. In addition, the right of first selection provisions make it difficult for DWD to change the number of regions in which W-2 is administered, as described in the Geographic W-2 Regions section below.

61. One option would be to remove the right of first selection provisions from the next W-2 contracts and from the statutes. Under this option, DWD would be required to award W-2 contracts on the basis of a competitive process approved by the Secretary of the Department of Administration. Since the right of first selection process is already underway for the next W-2 contracts, the statutory change would affect the 2004-2005 contracting process. (Alternative 6)

62. A second option would be to modify the statutes to require DWD to utilize a competitive process to select W-2 agencies, unless it opts to re-contract with agencies based on standards developed by the Department. This would give the Department the flexibility to either use a competitive process or a right of first selection process. If DWD decides that agencies need to meet additional criteria that were not included in the performance standards at the time the contracts were signed, DWD would be permitted to conduct a competitive process instead of re-contracting with agencies through a right of first selection process. Since the right of first selection process is already underway for the next W-2 contracts, the statutory change would affect the 2004-2005 contracting process. In addition, DWD's draft contract terms for the 2002-2003 W-2 contracts would need to be modified to reflect this policy change. (Alternative 7)

### **Geographic W-2 Regions**

63. There are currently six W-2 regions in Milwaukee County and one W-2 region for every other county. The statutes allow DWD to decide the number of regions administratively. The law states that no geographic area can be smaller than one county, except for Milwaukee County.

64. In the first month of W-2 in September, 1997, the Milwaukee County cash caseload was 21,889 while in January, 2001, this number had decreased by 76.8% to 5,077. In its audit on the W-2 program, the Legislative Audit Bureau indicated that five contractors may no longer be needed to adequately serve the remaining participants. The Audit Bureau suggests that reducing the number of contractors in Milwaukee County may improve services and reduce costs by: (a) creating competition for the right to provide program services; (b) reducing the disruption of services by eliminating the need for some participants who move within the County to seek services from different administrative agencies; (c) reducing administrative costs by, for example, reducing the number of administrators and other managers needed for program administration; and (d) improving oversight of contractor spending, which has become an issue given examples of inappropriate spending that occurred with two of the five Milwaukee contractors during the program's initial contract period. In addition, services that are being provided by all of the agencies, such as job training and basic education, could likely be done more cost effectively by fewer agencies.

65. There are two options to change the number of regions in Milwaukee County for the

2002-2003 contracts. First, DWD could consolidate the regions administratively. However, the Department may be legally unable to do this because the right of first selection set out in the statutes gives the existing Milwaukee W-2 agencies the ability to renew their contracts if they meet certain performance standards set out by the Department. The right of first selection is also delineated in the current W-2 contracts, which would also limit DWD's ability to consolidate the Milwaukee W-2 agencies administratively.

66. The second option would be to make statutory changes. Because the right of first selection process is delineated in the current W-2 contracts for 2000-2001, trying to apply geographic consolidation to the 2002-2003 contracts could result in litigation over breach of contract. To avoid possible legal problems, an option would be to make a statutory change stating that the right of first selection will not apply for the 2004-2005 contracts in cases where the geographic area has been changed. (Alternative 8.) If the Committee would like to consolidate Milwaukee County into one region, a statutory change could be made to eliminate the provision allowing Milwaukee County to be divided into more than one region, effective for the 2004-2005 contracts. (Alternative 9.) If the Committee would like to maintain the flexibility of having more than one region in Milwaukee County, then this change would not be necessary. It would also be important to clarify in the 2002-2003 contracts that the right of first selection will not apply for the 2004-2005 contracts in cases where the geographic area has been changed.

### **Financial Accountability**

67. DWD's proposed contract terms include new measures to ensure financial accountability. Agencies would not gain the right of first selection if they have significant audit findings or have been subject to a corrective action plan for substantial non-compliance, as described in the performance standard section above. In addition, some have argued that penalties should be imposed on W-2 agencies that mispend their funds, regardless of whether the errors were inadvertent or intentional.

68. DWD proposes to modify its system for failure penalties to allow penalties to be assessed for failure to implement the W-2 and related programs or operations requirements. According to DWD, misuse of funds documented in an audit would constitute failure to meet an operations requirement, but this is not specifically stated and could be clarified in the contract terms. The Department would be required to investigate alleged instances of failure to implement programs or operations requirements for the contract and would be required to issue a written finding of fault or no fault. The Department would be authorized to assess penalties in the amount of \$5,000 per failure but could waive all or part of the penalty amount. Penalties could be assessed if the agency knowingly denies or refuses services, engages in a pattern of repeated failure to provide necessary accommodations required for persons with disabilities to access services; fails to correct a pattern of non-response to telephone contacts; fails to timely respond to written contact from a W-2 applicant or W-2 participant; does not provide publicly advertised W-2 services in terms of location, hours or staff availability; or fails to implement W-2 and related programs or operations requirements.



69. For audit findings, it would be difficult to define what would constitute a single "failure" and it would also be difficult to determine whether an agency is at fault or not. An alternative would be to require penalties to be levied for unallowable costs, without regard to determination of fault. (Alternative 10.) The penalty amount could be set at a percentage of the disallowed costs. If a 100% penalty had been in place for the 1997-1999 W-2 contracts, Maximus would have paid \$380,575 and Employment Solutions would have paid \$306,167. (Alternative 11)

### **Future Audit Requirements**

70. Under current law, the Legislative Audit Bureau was required to file a financial and performance audit on the W-2 program by July 1, 2000. The Audit Bureau conducted several audits, the last of which was released in April, 2001. Through these audits, the Audit Bureau found that some W-2 agencies had unallowable and questioned costs associated with the 1997-1999 W-2 contracts. The final audit released in April, 2001, also provided extensive data on how funds were being used and on the wages of past participants. Since the Audit Bureau has completed its statutory obligation and continued monitoring of W-2 is important to determining the success of the program, the statutory provisions could be modified to require the Legislative Audit Bureau to conduct biennial program and financial audits on the W-2 and child care programs. If the Committee adopts this alternative, the Legislative Audit Bureau could be authorized to charge DWD for all or a portion of the costs of performing these audits. (Alternative 12)

## **ALTERNATIVES TO BILL**

### **Case Credits for Performance Standards**

1. Direct DWD to modify its contract terms for the 2002-2003 W-2 contracts to allow agencies to receive a one-case credit only to meet the base contract and right of first selection benchmark, and not to receive the community reinvestment bonus or the unrestricted bonus.

2. Direct DWD to modify its contract terms for the 2002-2003 W-2 contracts to eliminate the proposed zero-case credit.

### **Performance Standards**

3. Direct DWD to amend its contract terms for the 2002-2003 W-2 contracts to make one or more of the following changes to the performance standards:

#### *Entered Employment Standard*

a. For the entered employment standard, increase the base contract and right of first selection benchmark from 35% to 50%.

b. For the entered employment standard, increase the community reinvestment benchmark from 35% to 40% and increase the unrestricted bonus benchmark from 40% to 45%.

### *Earnings Gain Standard*

- c. For the earnings gain standard, increase the community reinvestment benchmark from 50% with earning gains of \$50 or more, to 50% with earning gains of \$100 or more. Increase the unrestricted bonus benchmark from 50% with earning gains of \$100 or more, to 50% with earning gains of \$200 or more.
- d. Add FSET participants to the earnings gain standard.

### *Wage Rate Standard*

- e. Convert the standard that measures initial wage rate at placement from an informational standard to a mandatory standard. Set the base contract and right of first selection benchmark wage rate for each W-2 region at the average wage rate in each county during the first six months of 2001. Make the community reinvestment benchmark 102.5% of the average base wage rate and make the unrestricted bonus benchmark 105% of the average base wage rate.

### *Job Retention Standard*

- f. For the job retention standard, increase the base contract and right of first selection benchmark for 30-day follow-up from 75% to 85%, increase the community reinvestment benchmark from 80% to 90% and increase the unrestricted bonus benchmark from 85% to 95%.
- g. For the job retention standard, increase the base contract and right of first selection benchmark for 180-day follow-up from 50% to 65%, increase the community reinvestment benchmark from 55% to 70% and increase the unrestricted bonus benchmark from 60% to 75%.
- h. Modify the job retention standard to also measure job retention after 360 days as an informational standard.

### *Full and Appropriate Engagement Standard*

- i. For the full and appropriate engagement standard, increase the base contract and right of first selection benchmark from 80% to 90%, increase the community reinvestment benchmark from 85% to 95% and increase the unrestricted bonus benchmark from 90% to 100%.

### *Basic Education Activities Standard*

- j. For the basic education activities standard, increase the base contract and right of first selection benchmark from 80% to 90%, increase the community reinvestment benchmark from 85% to 95% and increase the unrestricted bonus benchmark from 90% to 100%.
- k. Add FSET participants to the basic education activities standard.

#### *Educational Attainment Standard*

L. For the educational activities attainment standard, increase the base contract and right of first selection benchmark from 35% to 40%, increase the community reinvestment benchmark from 40% to 45% and increase the unrestricted bonus benchmark from 45% to 50%.

m. Add FSET participants to the educational attainment standard.

#### *Staff Training Standard*

n. Modify the W-2 agency staff training standard to require 100% of staff to be trained as a base contract and right of first selection requirement. Eliminate the use of this standard in determining community reinvestment funds and unrestricted bonus funds.

#### *W-2 Tier Placement Standard*

o. Modify the appropriate W-2 tier placement standard to require appropriate placement of 100% of participants as a base contract and right of first selection requirement. Eliminate the use of this standard in determining community reinvestment funds and unrestricted bonus funds.

#### *Extension Requests Standard*

p. Modify the extension requests standard to require timely processing and CARES documentation of requests as a base contract and right of first selection requirement. Eliminate the use of this standard in determining community reinvestment funds and unrestricted bonus funds.

#### *Customer Satisfaction Standard*

q. Modify the customer satisfaction standard to distribute unrestricted bonus funds to all agencies that have an average score exceeding 6.5 on each survey item, instead of providing unrestricted bonuses only to the top-10 scoring agencies.

#### *Financial Management Standard*

r. Modify the financial management standard to require "significant audit finding" to include an audit finding of unallowable or questioned costs of more than \$25,000 per contract.

s. Modify the financial management standard to require "significant audit finding" to include an audit finding of unallowable or questioned costs of a certain percentage of the contract amount.

t. Modify the financial management standard to require "significant audit finding" to include an audit finding of unallowable costs of more than \$25,000 per contract and/or questioned costs of \$50,000 or more per contract.

### *Optional Standards*

- u. Eliminate faith-based contracts as an optional performance standard.
  - v. Eliminate SSI advocacy as an optional performance standard.
  - w. Convert the employer health insurance standard from an optional standard to a required standard and increase the base contract and right of first selection benchmark from 30% to 55%, increase the community reinvestment benchmark from 35% to 60% and increase the unrestricted bonus benchmark from 40% to 65%.
4. Modify the statutes to define full-time employment for the purposes of performance bonuses as working in one or more jobs for a total of 30 hours or more per week.

### **Weighting of Performance Criteria**

5. Direct DWD to modify its contract terms for the 2002-2003 W-2 contracts to place greater emphasis on indicators that help participants move toward self-sufficiency. Percentages of funds allocated to specific standards would depend on which indicators the Committee recommends be implemented.

### **Right of First Selection**

6. Modify the statutes to remove the right of first selection process, effective for the 2004-2005 contracting process. Direct DWD to remove the provisions for the right of first selection process for the 2004-2005 W-2 contracts from the 2002-2003 W-2 contracts. This would require DWD to award all future contracts on a competitive basis.
7. Modify the statutes to require DWD to utilize a competitive process to select W-2 agencies starting with the 2004-2005 contracting process, unless it opts to re-contract with agencies based on standards developed by the Department. Direct DWD to modify its contract terms for the 2002-2003 W-2 contracts to reflect this policy change for the 2004-2005 contracts. This would provide DWD with the flexibility to utilize either a competitive process or right of first selection process.

### **Geographic Regions**

8. Modify the statutes to specify that right of first selection would not apply for the 2004-2005 W-2 contracts in cases where the geographic area had been changed, effective for the 2004-2005 contracts. Direct DWD to amend the contract terms for the 2002-2003 contracts to state that the right of first selection will not apply for the 2004-2005 contracts in cases where the geographic area has been changed.
9. Modify the statutes to remove the statutory provision allowing Milwaukee County to be divided into more than one region, effective for the 2004-2005 W-2 contracts. This option would

be used if the Committee would like to consolidate Milwaukee County into one region.

### **Financial Accountability**

10. Direct DWD to modify its contract terms to require that failure penalties be charged to W-2 agencies that have any audit findings of unallowable costs, without regard to a finding that the agency was at fault.

11. Direct DWD to modify its contract terms for the 2002-2003 W-2 contracts to specify that penalties for unallowable expenditures would be:

- a. 20% of the unallowable amount.
- b. 50% of the unallowable amount.
- c. 100% of the unallowable amount.
- c. Some other percentage of the unallowable amount.

### **Future Audit Requirements**

12. Modify the statutes to require the Legislative Audit Bureau to conduct biennial program and financial audits on the W-2 and child care programs. Authorize the Legislative Audit Bureau to charge DWD for all or a portion of the costs of performing these audits.

Prepared by: Victoria Carreón

Attachments



# ATTACHMENT 1

## Performance Standards Comparison

Current W-2 Contract				2002-2003 W-2 Contract			
Criteria	Base Contract Benchmark and Right of First Selection Level	First 2% Performance Bonus Benchmark	Second 2% Performance Bonus Benchmark	Criteria	Base Contract Benchmark and Right of First Selection Level	Restricted Performance Bonus Benchmark: Community Reinvestment	Unrestricted Performance Bonus Benchmark
<b>MANDATORY STANDARDS</b>							
				<b>I. Meet Priority Participant Outcomes</b>			
<b>Entered Employment Placement Rate:</b> Number of W-2 and FSET participants who entered unsubsidized employment divided by total number of participants.	35% or more	40% or more	45% or more	<b>Entered Employment Placement Rate:</b> Number of W-2 and FSET participants who entered unsubsidized employment divided by total number of participants.	35% or more for full and part-time jobs	35% or more for full-time jobs only	40% or more for full-time jobs only
<b>Wage Rate:</b> The base wage rate at placement for W-2 and FSET participants who enter unsubsidized employment as a percentage of the base wage attained in 1998.	100% or more	102.5% or more	105% or more	<b>Earnings Gain:</b> W-2 participant's gain in earnings over time due to increased hours and/or increased hourly wage.	50% with any earning gain	50% with average monthly gain of \$50	50% with average monthly gain of \$100
<b>Job Retention Rate:</b> Percentage of W-2 and FSET participants that remain employed after a 30-day and 180-day contact. Either can be met.	30-day contact: 75%+ 180-day contact: 50%+	30-day contact: 80%+ 180-day contact: 55%+	30-day contact: 85%+ 180-day contact: 60%+	<b>Job Retention Rate:</b> Percentage of W-2 and FSET participants that remain employed after a 30-day and 180-day contact. Both must be met.	30-day contact: 75%+ 180-day contact: 50%+	30-day contact: 80%+ 180-day contact: 55%+	30-day contact: 85%+ 180-day contact: 60%+

Current W-2 Contract				2002-2003 W-2 Contract			
Criteria	Base Contract Benchmark and Right of First Selection Level	First 2% Performance Bonus Benchmark	Second 2% Performance Bonus Benchmark	Criteria	Base Contract Benchmark and Right of First Selection Level	Restricted Performance Bonus Benchmark: Community Reinvestment	Unrestricted Performance Bonus Benchmark
<b>Full and Appropriate Engagement:</b> Appropriate engagement for each W-2 and FSET participant.	80% or more	85% or more	90% or more	<b>Full and Appropriate Engagement:</b> A. Appropriate engagement for each W-2 and FSET participant  B. W-2 extension cases must be assigned to one or more of the following activities: AODA assessment, AODA counseling, disability assessment, mental health assessment, mental health counseling, SSI advocacy/application, physical rehabilitation, domestic violence services, personal care. Both must be met.	80% or more	85% or more	90% or more
<b>Basic Education Activities:</b> W-2 and FSET adults in appropriate education and training activities.	80% or more	85% or more	90% or more	<b>Basic Education Activities:</b> W-2 adults in appropriate education and training activities.	80% or more	85% or more	90% or more
<b>Available Employer Health Insurance Benefits:</b> Employer health insurance benefit is available no later than 180 days after W-2 and FSET participants enter unsubsidized employment.	30% or more	35% or more	40% or more				
				<b>Educational Activities Attainment:</b> W-2 adults completing an educational activity, job skills training or technical college activity.	35% or more	40% or more	45% or more



Current W-2 Contract				2002-2003 W-2 Contract			
Criteria	Base Contract Benchmark and Right of First Selection Level	First 2% Performance Bonus Benchmark	Second 2% Performance Bonus Benchmark	Criteria	Base Contract Benchmark and Right of First Selection Level	Restricted Performance Bonus Benchmark: Community Reinvestment	Unrestricted Performance Bonus Benchmark
				<b>II. Deliver High Quality and Effective Case Management Services</b>			
				<b>FEP to Caseload Ratio:</b> No Financial and Employment Planner may have a caseload of more than 55 W-2 cash cases. No FEP can have a total caseload of more than 125 cases.	Meets requirement for all 8 quarters, first 4 quarters for Right of First Selection.	Not Applicable	Not Applicable
				<b>W-2 Agency Staff Training:</b> W-2 agency staff meeting DWD training requirements.	90% or more	95% or more	100%
				<b>Appropriate W-2 Tier Placement:</b> Appropriate placement in unsubsidized employment or subsidized employment position.  A. Percentage with assessment within 30 days.  B. Percentage of W-2 transitional placements with an assessment by a medical professional. Both must be met.	A. At least 80% B. At least 80%	A. At least 85% B. At least 85%	A. At least 90% B. At least 90%
				<b>Extension Requests:</b>  A. Timely processing of 24 and 60-month extension requests.  B. Timely CARES documentation for extension requests. Both must be met.	A. At least 85% B. At least 95%	Not Applicable	Not Applicable

<b>Current W-2 Contract</b>				<b>2002-2003 W-2 Contract</b>			
Criteria	Base Contract Benchmark and Right of First Selection Level	First 2% Performance Bonus Benchmark	Second 2% Performance Bonus Benchmark	Criteria	Base Contract Benchmark and Right of First Selection Level	Restricted Performance Bonus Benchmark: Community Reinvestment	Unrestricted Performance Bonus Benchmark
				<b>III. Deliver Services that Meet Customer Expectations</b>			
				<b>Customer Satisfaction:</b> Deliver services that meet customer expectations, measured through a survey.	Score of at least 6.5 or greater on a 10 point scale for each of 10 items.	Not Applicable	Allocated proportionately to 10 highest scoring agencies, up to 200% of an agency's allocation
				<b>IV. Agency Accountability</b>			
				<b>Financial Management:</b> No significant audit findings.	Must meet	Not Applicable	Not Applicable
				<b>Contract Compliance:</b> W-2 agency has not been subject to a corrective action plan for substantial noncompliance under the 2002-2003 W-2 contract	Must meet	Not Applicable	Not Applicable

Current W-2 Contract				2002-2003 W-2 Contract			
Criteria	Base Contract Benchmark and Right of First Selection Level	First 2% Performance Bonus Benchmark	Second 2% Performance Bonus Benchmark	Criteria	Base Contract Benchmark and Right of First Selection Level	Restricted Performance Bonus Benchmark: Community Reinvestment	Unrestricted Performance Bonus Benchmark
<b>Optional Standards</b>							
<b>Faith-Based Contract:</b> Existence of a contract between W-2 agency and a faith-based provider.	Not Applicable	Not Applicable	Have a faith-based contract for at least seven out of eight quarters. Substitute one optional standard for one other standard.	<b>Faith-Based Contract:</b> Existence of a contract between W-2 agency and a faith-based provider.	Not Applicable	Not Applicable	Have a faith-based contract that provides services for at least seven out of eight quarters. Substitute one optional criterion for one of the "Meet Priority Outcomes for Participants" standards.
<b>Basic Skills/Job Attainment:</b> Successful completion of basic skills or job skills program.	Not Applicable	Not Applicable	50% of participants assigned to basic skills or job skills training complete the training successfully. Substitute one optional standard for one other standard.	<b>SSI Advocacy:</b> Existence of a contract with an SSI advocacy agency or have an SSI advocate on staff.	Not Applicable	Not Applicable	Have a contract with an SSI advocacy agency or have an SSI advocate on staff. Substitute one optional criterion for one of the "Meet Priority Outcomes for Participants" standards.
				<b>Available Employer Health Insurance Benefits:</b> Employer health insurance benefit available no later than 180 days after W-2 and FSET participants enter unsubsidized employment.	Not applicable	Not applicable	50% or more have health insurance. Substitute one optional criterion for one of the "Meet Priority Outcomes for Participants" standards.

Current W-2 Contract				2002-2003 W-2 Contract			
Criteria	Base Contract Benchmark and Right of First Selection Level	First 2% Performance Bonus Benchmark	Second 2% Performance Bonus Benchmark	Criteria	Base Contract Benchmark and Right of First Selection Level	Restricted Performance Bonus Benchmark: Community Reinvestment	Unrestricted Performance Bonus Benchmark
<b>Informational Standards</b>							
None				<b>Average Wage at Placement:</b> Measure wage rate compared to average wage rate attained during calendar year 2000 for the agency's FSET and W-2 population.			
				<b>Addressing Barriers:</b> Measure activities designed to reduce barriers to employment.	Not Applicable	Not Applicable	Not Applicable
				<b>Expanded Caseload:</b> Levels of participants in children first, welfare-to-work and workforce attachment and advancement.	Not Applicable	Not Applicable	Not Applicable
				<b>In-Work Supports:</b> Measure levels of EITC, child care, medical assistance, food stamps and child support.	Not Applicable	Not Applicable	Not Applicable
				<b>Moving out of Poverty:</b> Wage data during and after program participation in W-2, FSET, children first, welfare-to-work and workforce attachment and advancement.	Not Applicable	Not Applicable	Not Applicable
				<b>Recidivism Rates:</b> Percentage returning to cash payments.	Not Applicable	Not Applicable	Not Applicable
				<b>18 and 19 Year Olds in School:</b> Measure activities and employment.	Not Applicable	Not Applicable	Not Applicable

## ATTACHMENT 2

### W-2 Agency Performance for Calendar Year 2000

<u>Region</u>	<u>Entered Employment Rate</u>	<u>Wage Rate</u>	<u>Job Retention</u>		<u>Health Benefits</u>	<u>Full and Appropriate Engagement</u>	<u>Basic Education</u>
			<u>30 Day</u>	<u>180 Day</u>			
Adams	41%	109%	92%	69%	36%	98%	80%
Ashland	38	121	85	69	46	86	100
Bad River Tribe	43	131	91	88	83	83	85
Barron	42	117	85	63	62	93	84
Bayfield	71	109	90	69	27	86	57
Brown	48	119	77	63	45	99	96
Buffalo	58	112	91	77	69	93	100
Burnett	36	128	79	54	33	80	83
Calumet	48	111	100	73	62	84	94
Chippewa	46	125	98	71	76	91	81
Clark	46	115	88	68	60	97	87
Columbia	58	120	84	78	74	98	95
Crawford	57	103	100	88	100	100	NA
Dane	51	113	86	54	66	92	93
Dodge	46	118	86	71	50	100	100
Door	46	136	100	69	58	94	100
Douglas	40	116	92	60	47	95	89
Dunn	66	116	79	62	47	91	84
Eau Claire	52	109	83	57	48	91	84
Florence	55	107	100	78	36	96	86
Fond du Lac	50	120	87	58	61	99	97
Forest, Oneida, Vilas	52	115	86	61	43	93	87
Grant- Southwest Consortium	42	120	91	71	70	96	91
Green Lake	71	122	80	50	57	81	93
Iron	93	131	100	67	36	100	100
Jackson	51	122	92	62	52	95	88
Jefferson	56	105	89	71	70	95	89
Juneau	55	117	85	57	54	98	100
Kenosha	37	115	82	60	36	93	91
Kewaunee	55	124	80	69	68	97	100
LaCrosse	70	114	85	64	60	99	94
Langlade	37	115	81	56	52	81	83
Lincoln	64	118	88	70	53	95	88
Manitowoc	45	113	84	73	36	94	100
Marathon	47	114	86	60	50	92	87

<u>Region</u>	Entered Employment Rate	Wage Rate	<u>Job Retention</u>		Health Benefits	Full and Appropriate Engagement	Basic Education
			<u>30 Day</u>	<u>180 Day</u>			
Marinette	59%	115%	85%	68%	67%	98%	100%
Marquette	63	126	93	92	73	98	81
Menominee	35	109	93	52	32	62	66
Milwaukee-ESI	43	112	92	72	68	94	92
Milwaukee- Maximus	43	112	80	56	79	93	84
Milwaukee- OIC	41	116	85	62	82	89	89
Milwaukee- UMOs	39	115	85	55	74	88	85
Milwaukee YW Works	45	111	89	66	86	88	89
Monroe County	57	114	81	64	52	98	90
Oconto	66	115	76	72	45	90	96
Oneida Tribe	47	109	75	70	40	83	83
Outagamie	57	107	84	55	57	89	84
Ozaukee	41	124	79	57	53	82	100
Pepin	41	103	75	100	63	100	100
Pierce	52	127	81	63	67	91	100
Polk	45	123	80	63	53	86	83
Portage	61	118	80	55	33	98	100
Price	62	118	77	82	65	89	85
Racine	51	117	83	63	51	100	93
Rock	43	119	80	54	35	96	84
Rusk	49	117	85	62	48	96	100
Sauk	53	117	93	75	97	100	100
Sawyer	53	116	91	74	30	84	100
Shawano	39	118	91	78	56	100	100
Sheboygan	60	123	84	69	59	97	98
St. Croix	69	116	84	58	59	100	83
Taylor	48	116	90	75	62	97	100
Trempealeau	48	119	77	67	74	92	100
Vernon	38	119	81	54	51	94	88
Walworth	59	113	91	67	67	99	100
Washburn	58	108	90	74	49	95	80
Washington	55	118	81	72	56	92	90
Waukesha	51	122	94	76	73	93	89
Waupaca	41	116	76	50	57	86	83
Waushara	66	115	88	53	40	100	100
Winnebago	35	120	88	59	37	90	84
Wood	58	119	90	63	44	85	80
AVERAGE	51	117	86	66	56	93	90

## ATTACHMENT 3

### Proposed Performance Bonus Allocations and Example

#### Proposed Statewide Performance Bonus Allocation

	<u>Community Reinvestment</u>		<u>Unrestricted Bonus</u>	
	<u>Portion of Allocation</u>	<u>Allocation</u>	<u>Portion of Allocation</u>	<u>Allocation</u>
Priority Participant Outcomes	65%	\$7,227,740	60%	\$7,500,000
High Quality and Effective Case Management	35%	3,891,860	30%	3,750,000
Customer Expectations	<u>0%</u>	<u>0</u>	<u>10%</u>	<u>1,250,000</u>
<b>Total Allocation</b>	<b>100%</b>	<b>\$11,119,600</b>	<b>100%</b>	<b>\$12,500,000</b>

#### Example

Agency's Contract Allocation	\$1,000,000
Agency's Proportion of All Contract Allocations	0.30%

<u>Agency's Potential Allocations</u>	<u>Community Reinvestment</u>	<u>Unrestricted Bonus</u>	<u>Total</u>
Priority Participant Outcomes*	\$22,022	\$22,851	\$44,873
High Quality and Effective Case Management**	11,858	11,426	23,283
Customer Expectations***	<u>0</u>	<u>See ***</u>	<u>0</u>
<b>Total Allocation</b>	<b>\$33,879</b>	<b>\$34,277</b>	<b>\$468,156</b>

\*Although not specifically stated in DWD's draft contract terms, the agency could receive 1/6 of this allocation for each priority participant outcome standard benchmark met.

\*\*Although not specifically stated in DWD's draft contract terms, the agency could receive 1/2 of this allocation for each high quality and effective case management standard benchmark met.

\*\*\*If agency is one of the top 10 scorers, agency would receive a proportionate share of \$1,250,000 based on its caseload in relation to the other top 10 scorers. No agency could receive more than 200% of its base allocation.