

## PERFORMANCE-BASED COMPENSATION

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### PURPOSE

The purpose of this policy is to establish the Workforce Development Board of Ventura County (WDBVC) standards for performance-based compensation in contracts funded in whole or in part with Workforce Innovation and Opportunity Act (WIOA) funds.

This policy ensures that performance-based compensation is transparent, outcome-driven, fiscally responsible, and compliant with federal regulations and County fiscal policies.

### SCOPE

The Workforce Development Board of Ventura County (WDBVC) and its contractors and subrecipients.

### REFERENCES

- Workforce Innovation and Opportunity Act (WIOA)
- 20 CFR Part 683 – Pay-for-Performance Contract Strategies
- 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements

### BACKGROUND

The Workforce Innovation and Opportunity Act (WIOA) promotes the use of performance-driven strategies to improve outcomes for job seekers and employers. Local Workforce Development Boards are responsible for procuring and overseeing service providers that deliver workforce programs funded through federal, state, and local sources. WIOA-funded contracts are typically structured as cost-reimbursement agreements, in which contractors are reimbursed for allowable and necessary expenses. In certain cases, contracts may also include performance-based compensation, allowing contractors to earn additional payment for achieving specified program outcomes.

Performance-based compensation aligns contractor incentives with program goals and encourages improved outcomes such as employment, credential attainment, and measurable skill gains. Federal regulations allow performance-based contracting when payment methodologies are defined in advance, tied to measurable outcomes, and do not constitute prohibited cost-plus-percentage-of-cost arrangements. Uniform Guidance requires that all costs be reasonable, allowable, and necessary. This policy establishes a standardized approach for structuring, calculating, and administering performance-based compensation in WDBVC contracts.

*The Workforce Development Board of Ventura County is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities.*

## POLICY AND PROCEDURES

### Definitions

*Performance-Based Compensation / Incentive Bonus:* Additional compensation paid to a contractor for achieving specified performance outcomes.

*Performance Outcome:* A measurable program result defined in the contract, such as employment outcomes, credential attainment, or measurable skills gains.

*Pro-Rata Performance Payment:* A method of calculating incentive payments based on the percentage of performance goals achieved.

### Procedures

1. Allowable Use of Performance-based Compensation

Performance-based compensation may be included in contracts when:

- The contract is structured as cost reimbursement
- The incentive amount is clearly identified in the contract budget
- Payment is earned solely through performance outcomes
- Total compensation does not exceed the maximum contract amount

Performance-based compensation may not be earned through expenditure alone or through pass-through costs such as tuition payments, participant stipends, or supportive services.

2. Maximum Incentive Amount

The maximum performance-based compensation must be clearly stated in the contract and approved through the WDBVC procurement process.

The amount should be reasonable in relation to:

- Level of effort
- Complexity of services
- Market conditions

3. Performance Measures

Performance-based compensation must be tied to clearly defined outcomes identified in the contract. Examples may include:

- Employment Rate – 2nd Quarter After Exit
- Employment Rate – 4th Quarter After Exit
- Credential Attainment
- Measurable Skills Gain
- Program Completion
- Enrollment or service targets

All performance measures must be measurable, verifiable, and documented using reliable program data systems.

4. Pro-Rata Performance Payment Structure

WDBVC may use a pro rata payment structure to determine the amount of performance-based compensation earned by a contractor.

Unless otherwise specified in the contract, performance payments may be calculated as follows:

Performance Achievement	Payment Amount
100% or greater of goal	Up to 100% of the incentive amount
99.9% – 80% of goal	Contractor may bill the actual percentage achieved
79.9% – 75% of goal	Contractor may bill a flat 75% of the incentive amount
Below 75%	No payment for that measure

This structure allows partial payment when providers approach performance targets while maintaining accountability for outcomes.

5. Timing of Performance Payments

Performance-based compensation payments will generally be calculated and paid at the end of the contract term.

Payments will be made only after performance outcomes have been verified. Federal regulations require that performance outcomes used for payment be validated using reliable data prior to the disbursement of funds.

6. Documentation and Verification

Contractors must provide documentation sufficient to verify the achievement of performance outcomes. Acceptable sources may include:

- CalJOBS reports
- Wage records
- Credential documentation
- Case management records
- Other approved data sources

The WDBVC will validate outcomes through contract monitoring and data review.

7. Monitoring and Oversight

The WDBVC will monitor all performance-based contracts to ensure:

- Compliance with WIOA regulations
- Accurate reporting of outcomes

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- Appropriate use of funds
- Verification of performance prior to payment

Failure to meet performance expectations may result in:

- Reduction or elimination of performance-based compensation
- Corrective action plans
- Contract modification or termination.

### 8. Prohibited Contract Structures

The following payment methods are prohibited:

- Cost-plus-percentage-of-cost contracts
- Compensation based solely on expenditures
- Incentive payments without defined performance measures

Federal regulations specifically prohibit cost-plus-percentage-of-cost contracting methods.

### **ACTION**

Bring this directive to the attention of all appropriate staff.

### **INQUIRIES**

Inquiries regarding this policy can be addressed to the WDBVC at 805-477-5306.

/S/ Rebecca Evans, Executive Director  
Workforce Development Board of Ventura County