

Project Narrative

a) Statement of Need

Introduction. Florida's Workforce System, branded as the CareerSource Florida Network, is headed by CareerSource Florida (as rebranded from its former name, Workforce Florida, Inc.). CareerSource Florida serves as the state workforce system's policy-making board. The Florida Department of Economic Opportunity (DEO) is the state workforce agency and serves as the administrative entity to CareerSource Florida. DEO, as the state workforce agency, is the grant applicant. The 24 locally controlled regional workforce boards (regions) assist CareerSource Florida in their core mission to help Floridians enter, remain, and advance in the workforce. CareerSource Florida's two sister entities which assist with achieving its mission objectives include DEO and Enterprise Florida, Inc. (EFI). EFI, serves as the state's economic development organization. DEO provides both CareerSource Florida and EFI with administrative support including policy implementation and core data collection functions.

CareerSource Florida routinely partners with EFI and DEO to support economic growth and development; leveraging federal and state-level funds under its control to provide workforce training as part of a holistic industry recruitment and retention package. Florida's regional workforce boards are instrumental in the design and execution of many of these programmatic opportunities – mostly on an ad-hoc basis.

The Core Issue. Because Florida is a diverse state that ranges from rambling rural areas which are sparsely populated to major metropolitan centers like Miami, Tampa, and Orlando which are home to millions, state-level policy has traditionally centered on the devolution concept. A core principle of state-level workforce policy, the devolution concept is one in which regional workforce boards are given the flexibility to serve local populations in a manner that best assists that population in entering, remaining, and advancing in the workforce while advancing core statewide objectives.

Beyond Common Measures and a few other statistics developed by CareerSource Florida and provided by DEO, there has been little holistic effort to a) develop a suite of measures to establish how well the regional workforce boards assist Floridians in entering, remaining, and advancing in the workforce; b) strategically align all workforce boards towards common, statewide goals; c) determine how best to incentivize the regional workforce boards to accomplish those key objectives in the most efficient manner; and, d) design policy mechanisms to support them in these efforts. This lack of cohesion has led to varying outcomes by workforce region, even when controlling for the challenges that those regions face

REGION	TOTAL PLACEMENTS	AVERAGE WAGE PER PLACEMENT	TOTAL EXPENDITURES (INVESTMENT)	COST PER PLACEMENT	Cost Per Dollar of Wages Earned
	A	B	C	D=C/A	E=D/B
1	14,991	\$7.22	\$ 7,563,796	\$ 505	\$ 70
2	7,469	\$7.68	\$ 2,426,304	\$ 325	\$ 42
3	4,549	\$6.40	\$ 1,512,639	\$ 333	\$ 52
4	10,722	\$7.24	\$ 3,369,405	\$ 314	\$ 43
5	11,496	\$6.87	\$ 5,277,687	\$ 459	\$ 67
6	5,151	\$6.42	\$ 1,767,400	\$ 343	\$ 53
7	3,748	\$6.66	\$ 1,868,997	\$ 499	\$ 75
8	41,492	\$7.84	\$ 17,927,779	\$ 432	\$ 55
9	10,255	\$7.60	\$ 4,361,950	\$ 425	\$ 56
10	16,317	\$7.29	\$ 8,445,704	\$ 518	\$ 71
11	19,877	\$7.76	\$ 9,350,113	\$ 470	\$ 61
12	62,590	\$8.22	\$ 24,874,938	\$ 397	\$ 48
13	22,631	\$9.43	\$ 7,859,440	\$ 347	\$ 37
14	35,682	\$9.37	\$ 13,159,544	\$ 369	\$ 39
15	57,460	\$8.94	\$ 19,614,826	\$ 341	\$ 38
16	22,900	\$8.50	\$ 8,506,187	\$ 371	\$ 44
17	21,863	\$7.19	\$ 9,418,766	\$ 431	\$ 60
18	18,870	\$8.25	\$ 8,378,991	\$ 444	\$ 54
19	5,396	\$6.79	\$ 2,493,496	\$ 462	\$ 68
20	18,124	\$7.79	\$ 9,030,186	\$ 498	\$ 64
21	32,863	\$9.30	\$ 19,260,112	\$ 586	\$ 63
22	42,604	\$9.08	\$ 26,331,670	\$ 618	\$ 68
23	82,309	\$8.18	\$ 51,840,483	\$ 630	\$ 77
24	26,513	\$7.93	\$ 12,940,191	\$ 488	\$ 62
State	588,437	\$8.26	\$ 277,580,604	\$ 472	\$ 57

in light of their core economic and demographic characteristics. Given available resources, some regions simply function more effectively than others.

Consider, for example the data displayed in Table 1. These data determine the total costs to place someone in a job relative to the total expenditures (by region) for the state workforce system. As the data show, the average cost per placement varies substantially from a low of \$314 in Region 4 (a sparsely populated rural region) to a high of \$630 in Region 23 (a major metropolitan area) – an extreme variance. Moreover, Regions 1 and 2, even though they are co-located in Northwest Florida and share common economies based on the defense establishment and tourism, have widely different service costs. Total cost per placement in Region 1 is approximately \$180 higher than the cost per

placement in Region 2 – a difference that would be difficult to explain in any comparative analysis in light of their similar economic and social environments. Looking at costs per wage dollar earned by placement (column E – which is simply cost per placement divided by average wage earned by the placements), a wide variance is noted even though a wage-based cost measure should theoretically help control for total cost of doing business as higher wage areas tend to be those areas which also require higher administrative costs (salaries) for the regional workforce boards that serve them.

As a thought experiment, let’s focus on placement costs per wage dollar earned. Assume, for those regions highlighted in red in Table 1 (which have above average cost per dollar of wages earned), they

could be incentivized to close half the gap between their average cost per dollar of wages earned and the state average of \$57 (Column E in Table 1).

This would yield the data presented in Table 2. So, for example, the Cost per Dollar of Wage Earned would shrink from \$70 in Region 1 to \$63 thereby closing half the distance between the initial figure of \$70 in Table 1 and the initial state average of \$56 from Table 1. Applying this same formula to all of the regions in which the costs currently exceed the state average (as highlighted in red in Table 2), yields the revised cost data presented in red.

REGION	TOTAL PLACEMENTS	AVERAGE WAGE PER PLACEMENT	REVISED TOTAL EXPENDITURES (INVESTMENT)	Old Cost Per Placement	Revised Cost Per Dollar of Wages Earned	New Cost Per Placement
	A	B	C = F*A	D	E	F=E*B
1	14,991	\$ 7.22	\$ 6,818,806	\$ 505	\$ 63	\$ 455
2	7,469	\$ 7.68	\$ 2,426,304	\$ 325	\$ 42	\$ 325
3	4,549	\$ 6.40	\$ 1,512,639	\$ 333	\$ 52	\$ 333
4	10,722	\$ 7.24	\$ 3,369,405	\$ 314	\$ 43	\$ 314
5	11,496	\$ 6.87	\$ 4,896,606	\$ 459	\$ 62	\$ 426
6	5,151	\$ 6.42	\$ 1,767,400	\$ 343	\$ 53	\$ 343
7	3,748	\$ 6.66	\$ 1,647,471	\$ 499	\$ 66	\$ 440
8	41,492	\$ 7.84	\$ 17,927,779	\$ 432	\$ 55	\$ 432
9	10,255	\$ 7.60	\$ 4,361,950	\$ 425	\$ 56	\$ 425
10	16,317	\$ 7.29	\$ 7,612,860	\$ 518	\$ 64	\$ 467
11	19,877	\$ 7.76	\$ 9,100,486	\$ 470	\$ 59	\$ 458
12	62,590	\$ 8.22	\$ 24,874,938	\$ 397	\$ 48	\$ 397
13	22,631	\$ 9.43	\$ 7,859,440	\$ 347	\$ 37	\$ 347
14	35,682	\$ 9.37	\$ 13,159,544	\$ 369	\$ 39	\$ 369
15	57,460	\$ 8.94	\$ 19,614,826	\$ 341	\$ 38	\$ 341
16	22,900	\$ 8.50	\$ 8,506,187	\$ 371	\$ 44	\$ 371
17	21,863	\$ 7.19	\$ 9,117,308	\$ 431	\$ 58	\$ 417
18	18,870	\$ 8.25	\$ 8,378,991	\$ 444	\$ 54	\$ 444
19	5,396	\$ 6.79	\$ 2,271,608	\$ 462	\$ 62	\$ 421
20	18,124	\$ 7.79	\$ 8,471,158	\$ 498	\$ 60	\$ 467
21	32,863	\$ 9.30	\$ 18,337,554	\$ 586	\$ 60	\$ 558
22	42,604	\$ 9.08	\$ 23,984,348	\$ 618	\$ 62	\$ 563
23	82,309	\$ 8.18	\$ 45,110,271	\$ 630	\$ 67	\$ 548
24	26,513	\$ 7.93	\$ 12,404,637	\$ 488	\$ 59	\$ 468
State	588,437	\$8.26	\$ 263,532,515.69	\$ 472	\$ 54	\$ 448

As the data in Table 2 indicate, simply reducing the costs per wage dollar earned by participants in regions which exceed the state average would result in total statewide service costs shrinking from \$277.6 million as indicated in Table 1 to \$263.5 million as indicated in Table 2. This would be a substantial net cost savings of over \$14 million which could be reapplied to assisting others in their quest to enter, remain and advance in the workforce. Reduced service costs could theoretically be achieved in many ways – not the least of which *could* include shared administrative services across regional lines.

Although this may be an over-simplification of the challenge involved in measuring and increasing performance across the workforce system in Florida, it does highlight a) the fact that the various regional workforce boards achieve markedly different outcomes at substantially different costs and b) even fractional improvements in performance in a handful of regions on one dimension can result in increased availability of resources for those regions. The cost/benefit example presented above is but one of many. The system is replete with similar examples that span multiple available measures ranging from the federal common measures through to market penetration and client (jobseeker and industry) satisfaction with regional workforce board performance (measured on a mostly ad-hoc basis). The devolved system, as currently constructed, offers little incentive among *regional* boards to seek ways to holistically improve *system-wide* performance. We propose a model that will change that.

A Model for Change. Florida's workforce system, as currently constructed, has devolution as a core principle. The great benefit of a devolved system is that it allows regional workforce boards great autonomy to serve constituents in the fashion that best suits the region. This is a model very familiar to Florida – the Florida State University System operates in much the same fashion with the 13 universities' boards of trustees functioning in a highly autonomous environment. For many years the system struggled to achieve the statewide benchmarks necessary to ensure the development of the

intellectual capital required to support Florida's future workforce needs. This, however, changed with the adoption of a Performance Funding Model (PFM) for the State University System (SUS).

The PFM model, as adopted by the SUS, is one in which a substantial financial incentive is offered to Universities for meeting certain benchmarks universally agreed upon and shaped by the System's statewide Board of Governors (with University input). The PFM, as designed by the SUS, possesses two attractive characteristics: First, it creates an incentive for the state's universities to work towards common goals which are important to the state. Second, it provides sufficient flexibility for each of these universities to adapt to their local environment and tap their unique market niches. Thus, it preserves many of the benefits of devolution (local control is of paramount importance to Florida communities) while coalescing the SUS around a series of performance measures which incentivize them to achieve goals that are important to the state as a whole.

Performance funding models are not unique to the Florida higher education setting. According to the National Conference of State Legislatures, performance funding models have been (more or less) successfully adopted by higher education institutions in precisely half the American states. Moreover, they are not unique to government or quasi-governmental systems. In the private sector, these models are often associated with commissions or profit sharing arrangements and are becoming increasingly implemented in the healthcare sector as P4P (Pay for Performance) models which are focused primarily on reducing medical costs. Thus, these models are not unknown to the private or the public sector – but appear to be unknown to state workforce systems. Florida seeks to change that by designing and implementing a PFM for the CareerSource Florida Network.

Such a model would have many benefits, not the least of which would be retaining the local/regional control which is so attractive to Florida communities, while incentivizing behaviors which:

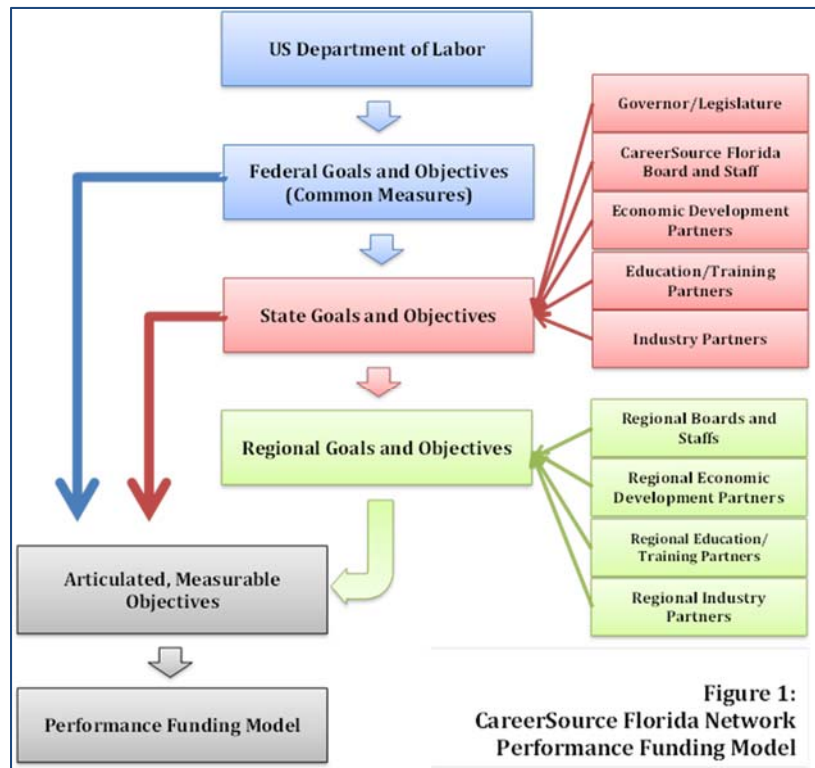
- a. align with statewide strategic economic and workforce development goals thereby multiplying the impact of allocated statewide resources;

- b. overlap with the talent production goals of partners in the state college and state university systems, again multiplying the impact of resources allocated statewide and measuring accountability among all partners;
- c. aid in controlling and reducing costs via a shared incentive structure; and,
- d. introduce other key performance indicators into the workforce system (as outlined below) which reach beyond the federal common measures.

b) Strategic Approach

Based on the successful adoption of a performance funding model by the SUS, a system-wide PFM for the CareerSource Florida Network can be leveraged to incentivize regional workforce boards to achieve common goals without imposing a strict, statewide one-size-fits-all operational model on the system. In Figure 1, key sources of inputs into a PFM are identified which will allow us to honor the commitments of all partners with the overarching goal of improved outcomes across goals shared within the CareerSource Florida Network.

i) Project Outcome Goals. The overarching goal of adopting the PFM is to improve the system-wide ability of the CareerSource Florida Network to ensure that Floridians are able to enter, remain and advance in the workforce while, at the same time, providing regional workforce boards the autonomy necessary to adapt these goals to the local political, social and economic



environments in which they operate. Success will require, within the confines of the PFM design and adoption process, the accomplishment of three major objectives:

- A. The creation of a performance funding model which correctly incentivizes regional workforce boards to work towards common, identified goals.
- B. The expansion of current data collection systems and the integration of new data collection tools which capture the data necessary to measure progress towards the incentivized goals and the integration of these tools into a web-based PFM status monitor.
- C. The creation of a comprehensive, easy to understand web-based data portal to provide regional workforce boards with the data necessary to inform their decision making processes. This allows them to benchmark and track their performance, which encourages collaboration to maximize the potential of shared resources and ensures clear and effective communication.

Objective A. Based on a comprehensive review of the federal, state and local inputs as indicated above, potential outcomes, listed in Table 3, have been identified as relevant to each of the system partners. These outcome goals will be utilized to inform the overall development of the measures associated with the PFM. We realize that these goals, and their potential measures are relatively broad. As outlined in the strategic approach in the section that follows, the process adopted will be phased and will include significant input from the regional workforce board partners. Thus, the goals (and associated measures) that are outlined below as key to the success of the PFM are not **all** designed to be benchmarked, measured and instituted in the first year of model adoption.

Each of the potential identified measures is color coded to indicate the degree to which current data systems capture data relevant to the proposed goal. Data-capture color codes are divided into three key parts: measures that currently exist, measures for which the data are largely extant, but which would need to be created, and measures for which data do not exist.

As the table suggests, the proposed goals and objectives of the PFM expand well beyond the common measures. For example, goals related to the PFM deal with the quality of employment as measured by retention, earnings and earnings growth. The PFM also creates incentives for regional workforce boards to identify individuals who would benefit from continued services and additional training and rewards these boards for aiding those individuals in obtaining that training. The model introduces multiple new concepts which encourage regional workforce boards to reach more businesses, provide higher quality services to these businesses and handle transactions with businesses and jobseekers in a manner that is satisfactory to them. Costs of services also factor into the model with regional workforce boards rewarded for reducing the costs of services, globally, by type of service and by type of expense. The model also incentivizes regional workforce boards to reach the broadest possible number of jobseekers and provide services to those individuals by incentivizing placement. Moreover, the model seeks to reward regions who coordinate with economic development entities by rewarding them based on their placement successes within Florida’s target industry clusters.

Table 3: Goals and Metrics Associated with the Adoption of a Performance Funding Model for the CareerSource Florida Network	
Goal	Potential Measures to be Further Refined.
1. Improve Employment Outcomes	Entered Employment Rate
2. Improve Quality of Employment (Placements)	Employment Retention Rate
	Earnings Rate (First Six Months)
	Sustained Growth in Earnings Rate
3. Develop and Grow Continued Service (Advancement)	Number of Individuals Receiving Continued Service (after placement) Which results in Increased Skills and Knowledge Along with Better Job Placement
4. Improve Market Penetration of CareerSource Florida Network, Quality of Services Provided and Customer Satisfaction	Number of Businesses Served by Type and Level of Service
	Percentage of Businesses Served that Return to Network for Other Services
	Percentage of Jobseekers Satisfied with System Performance
	Percentage of Businesses Served Satisfied with System Performance
5. Reduce Costs of Services	Total Global Cost Per Placement (and by cost type to include administrative, service costs, etc.)
	Cost per Placement by Service Type (and by cost type to include administrative, service costs, etc.)
	Cost per Placement by Funding Stream (and by cost type to include administrative, service costs, etc.)
6. Increase Number of Individuals Placed	Global Number of Jobseekers Placed in Jobs
7. Improve Ties with Economic Development	Percentage of Total Placements Landing in one of Florida's Target Industry Clusters
8. Target Hard-to-Serve Populations	Percentage of Total Placements coming from hard-to-serve populations (by demographic type)
<ul style="list-style-type: none"> ● Metric currently exists. ● Metric would need to be created but data currently (or mostly) exist. ● Data creation would require the merger of disparate systems, the creation of new data systems or substantial alteration of current systems. 	

The proposed PFM also rewards regions that seek to provide a balanced approach. For example, those regions who seek to maximize total job placements without also considering the quality of those

placements will find that they score high on the placement measure – but slip on the employment quality measure. Those who concentrate on the provision of continued services to jobseekers who have been in contact without determining whether those jobseekers can actually benefit from those services will likewise score high on continued service to jobseekers while slipping on sustained income growth measures. Although these are draft measures which are subject to additional research on how best to measure and incentivize appropriate outcomes, the final construction of the PFM will encourage regions to concentrate on a holistic approach rather than forcing trade-offs which lead to declining services on particular dimensions in favor of success on a more narrow and limited front.

Objective B. As Table 3 indicates, only a handful of the metrics by which we would seek to measure performance on the indicated dimensions, are currently available. This grant application, as will shortly be described, includes requests for substantial funding to improve current data reporting systems which will capture the additional data necessary to create metrics related to Goals 2, 3, 5, 7 and 8. Moreover, this grant request includes funding to design, create and implement a process which will enable Florida to measure customer satisfaction (Goal 6).

Objective C. This objective contains two major components as well. The first is the development of a web-based data portal which will allow regional workforce boards to obtain and monitor data they deem important to their success on the PFM in a timely fashion. These data could include labor market information statistics including labor force supply and demand projections, updates on target industry clusters, the types of in-demand occupations and skills associated with the support of those clusters, best practices identified by other regional workforce boards, etc. The second key component is the design and publication of a real-time data tool which allows regions to track their performance on each of the key measures which are related to success as defined by the PFM.

The PFM, by its design, will directly incentivize regions to provide better employment outcomes for jobseekers and better results for employers. This will be measured not only in terms of employment

success and wage outcomes, but also in terms of overall jobseeker and employer satisfaction with the system. The introduction of cost-reduction measures into the PFM will also incentivize regional workforce boards to find ways to more efficiently deliver services. The juxtaposition of these cost-reduction incentives against the service quality incentives will ensure that regions strike the proper balance. And lastly, the production of measures which encourage cost reduction and quality improvement both within and across funding streams will ensure that regional workforce boards seek to maximize the utilization of available funding sources.

ii. Project Type and Strategic Approach. In this application, funding for a Type A project is requested to support the creation and implementation of a PFM for the CareerSource Florida Network. The key hypothesis to be tested over the life of the grant is:

Financial rewards attached to clear performance metrics will result in system-wide performance improvement on those key metrics.

The creation of the PFM (Objective A) will require, as supporting mechanisms, the creation of the appropriate data collection frameworks (Objective B) and the creation of the appropriate data dissemination frameworks (Objective C). The adoption of the PFM will lead (long-term) to improved outcomes across the system-wide selected goals to include: improved employment outcomes, improved quality of jobs obtained, improvements in continued services to jobseekers after placement, improved market penetration of the CareerSource Florida Network, better quality of services to jobseekers and employers, increased customer satisfaction among jobseekers and employers, an increased number of individuals placed in jobs, and a cohesive approach that supports existing economic development efforts.

In the near term, interim project outputs will include:

- Design and development of new output measures which capture jobseeker and employer satisfaction as well as levels of continued support to ensure workforce advancement;

- Design and development of measures which benchmark and measure costs (administrative, services, etc.) across the system; and,
- Design and development of communication tools which provide regional workforce boards with better and more consistent access to data enabling them to achieve better outcomes.

As with any venture that attempts to affect system-wide change by introducing new evaluation metrics which are tied to future funding opportunities, challenges are expected. Just as a one-size-fits-all approach to the provision of services is not feasible in a state as diverse as Florida, some regions will have inherent weaknesses which lie beyond their control that may prevent them from functioning competitively in a PFM that adopts a holistic approach. Moreover, it may be the case that Florida will lack funding to sufficiently “energize” the model. That is, the performance funding offered in support of the model may not be enough to induce wholesale changes in behavior along the incentivized dimensions of the model. Florida will, in that case, seek additional state-level revenues to add additional incentives and explore the possibility of a federal waiver to induce regional workforce boards to match PFM funds offered at the state level.

In order to ensure a more level playing field, the PFM will adopt a TIE (Target, Improve, Excel) rewards approach in which regional workforce boards can achieve success by a) reaching their target goals as established by the designed model; and/or b) showing substantial improvements in their overall metrics over an annual period relative to their peers and/or c) residing among the most excellent performers in the CareerSource Florida Network in their suite of metrics. Moreover, included in the grant application is substantial funding to ensure critical communication between regional workforce boards, DEO and CareerSource Florida.

Finally, the approach to adopting the PFM will occur over at least the first three fiscal years of the life of the grant allowing regions adequate time to adjust to the new measures and adequate time to prepare strategies for success. Thus, those measures for which data history are readily available and are

associated with a short time horizon will be adapted for implementation in the 2015-2016 fiscal year. Those measures which require a longer time-horizon (such as sustained service commitment) as well as those for which a comparative data history are unavailable (such as business and jobseeker satisfaction) will be adapted in subsequent years. This will ensure adequate time for boards to adapt to change and plan measures to improve performance on long-horizon metrics.

The Department of Economic Opportunity will work closely with CareerSource Florida, its regional workforce boards, and the outside evaluation team to closely monitor the impacts of the PFM model on system-wide performance and will utilize the entire life cycle of the grant to continually improve performance metrics, data collection and dissemination and communications across the CareerSource Florida Network. This will ensure that any unintended negative consequences associated with the adoption of a PFM model (such as gaming the system or gaming the metrics) are identified as early as possible and corrected or minimized in a timely fashion.

iii. *Evidence Base for Strategy.* There are no identifiable examples, as noted in the initial statement of need, of a PFM functioning as a solution for a workforce system which a) wishes to incentivize common goals through performance funding while b) preserving critical authority for regional workforce boards to serve specific local interests as actors within a diverse statewide system. Multiple examples of PFMs functioning in other public arenas around the U.S. do exist. The closest link between the CareerSource Florida Network PFM and an extant, functional PFM lies in the education arena.

The National Conference of State Legislatures¹ (NCSL) notes that 25 states have adopted performance based funding models primarily in an effort to refocus the center of base funding away from simply measuring the number of full-time equivalent college students enrolled at the beginning of the semester towards other important targets such as graduation rates, production of STEMM (Science,

¹ <http://www.ncsl.org/research/education/performance-funding.aspx>

Technology, Engineering, Math and Medical) graduates, etc. Based on their extensive research, the NCSL has produced a list of factors that will lead to successful adoption of PFM models – many of which are applicable to the efforts Florida makes here. These include: engage the broadest possible set of stakeholders, utilize a phased approach to model implementation, keep the funding formula simple, reward progress and success, and include targets which encourage service to underserved populations. As Florida’s approach to model structure and development presented above, reflects, we have incorporated these “elements of success” into the model here.

Performance based funding has also been utilized with success in the medical community as well. A report sponsored by ViPs, Inc., and Med-Vantage² regarding the application of PFM in the health community unsurprisingly documented many of the same factors necessary for success that were observed with models related to the higher-education system. These factors included a phased approach to implementation which encouraged the introduction in Year 1 of measures which are simple, easy to understand, and have low complexity. At the next stage, medical experts encourage the adoption of more complex measures related to efficiency and quality with a strong focus on ROI (return on investment) and longer-term outcomes. By stage 3 (3 to 5 years), the most sophisticated measures should be implemented to the accompaniment of actionable, detailed, and local information which is widely available to consumers. Again, much of this approach has been adopted into Florida’s model building process.

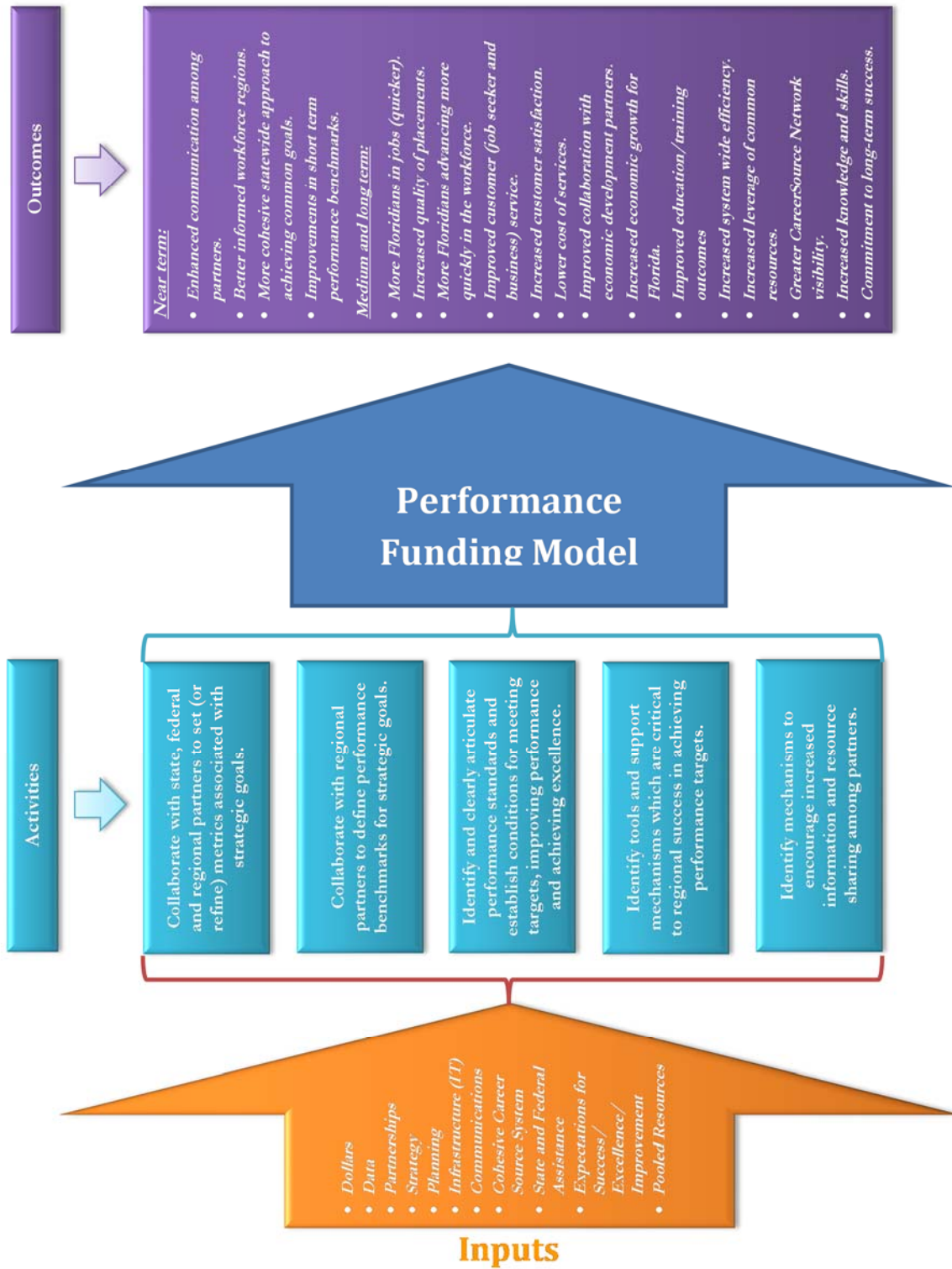
The study also notes that there should be multiple measures of success adopted (similar to the collegiate approach) which encompasses both rank-type scoring and threshold scoring. Florida mirrors that approach above with the focus on a TIE model which incentivizes targets, improvements and excellence. Moreover, and perhaps most critically, the study notes, that “valid, reliable, comparable, and salient quality measures...have been shown to be a potent stimulus for clinicians and

² http://www.leapfroggroup.org/media/file/Leapfrog-Pay_for_Performance_Briefing.pdf

providers to improve the quality of care they provide...” Thus, the model appears to work successfully in the medical industry.

The success of any PFM or P4P scheme rests on a fundamental and simple concept: the notion that behaviors can be incentivized and shaped utilizing financial rewards. We know from centuries of the human experience, and volumes of academic research, that such is possible. It happens every day. The proposed PFM is a (by definition) complex, statewide application of that same fundamental concept. As the proposed Logic Model on the page following demonstrates, the PFM is comprised of a series of inputs which includes funding, data, common goals, clear expectations and quality resources. These specific elements will be leveraged towards meeting the three objectives outlined previously; objectives which are closely aligned with the initial activities as displayed in the logic model. These activities include collaboration with partners to create metrics associated with the strategic goals (as outlined previously), collaboration to define and refine associated benchmarks which will lead to clearly articulated performance standards with established conditions for meeting targets,

Figure 2: CareerSource Florida Network Performance Based Funding Program Logic Model



improving performance, and achieving excellence. This will then allow partners to identify the tools and support mechanisms which are critical to informing and achieving regional and statewide success in meeting performance targets. The design and production of these critical data resources, combined with the creation of mechanisms to encourage increased information and resource sharing among partners will complete the development of the Performance Funding Model. It is important to note that the Model, as conceived here, is not simply designed to impose itself as an immediate structural reform on the workforce system. Rather, it is to be implemented in a deliberate fashion and accompanied by the mechanisms and tools that are designed to encourage the system-wide pursuit of targeted goals coupled with continuous improvement and the pursuit of excellence.

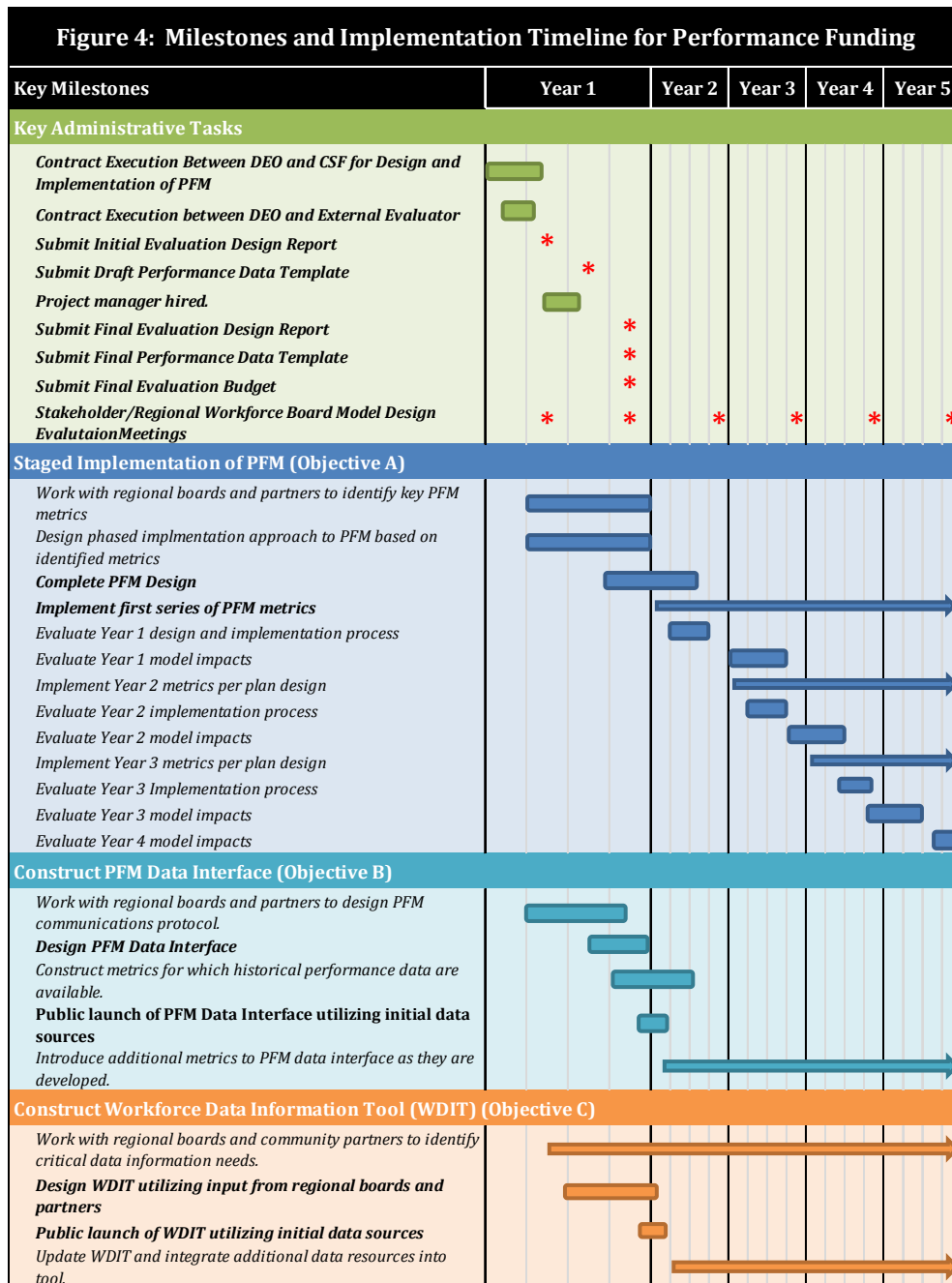
The PFM will lead to enhanced system-wide performance on a number of critical dimensions as are outlined in the model and which are hinted at in the strategic approach – but success will come if, and only if, it is the case that regional workforce boards respond to financial stimulus attached to clearly defined performance measures. Based on outcomes achieved in other systems, it is believed that this will be the case. This proposal offers the first opportunity to test a complete PFM in a modern state workforce development environment.

c) Work Plan and Project Management

i. Work Plan. The work plan is derived from the three outcomes that are integrated into this project plan. These outcomes are listed below and the milestones associated with these outcomes are highlighted in bold on the timeline below (Figure 4).

- A. The creation of a performance funding model which correctly incentivizes regional workforce boards to work towards common, identified goals.
- B. The expansion of current data collection systems and the integration of new data collection tools which capture the data necessary to measure progress towards the incentivized goals along with the integration of these tools into a web-based PFM status monitor.

- C. The creation of a comprehensive, easy to understand web-based data portal which provides regional workforce boards with the data necessary to inform their decision making processes, which encourages collaboration to maximize the potential of shared resources and which ensures clear and effective communication.



Milestones and Timeline. The relevant administrative tasks (associated with contractual and planning obligations) are highlighted in green in Figure 4. These Year 1 tasks are timed to align with the requirements of this application and assist in quickly preparing CareerSource Florida, DEO and the regional workforce board partners for the process of implementing a PFM. Milestones associated with Objective A include the completion of the design of the PFM (by the end of Year 1) and the implementation of the PFM (beginning in Year 2). Remaining years involve data gathering and evaluation of the performance of the model.

The construction of the PFM data interface (Objective B) has two major milestones: the design of the PFM interface (to be completed by the end of Year 1) and the public launch of the PFM Data interface utilizing initial data (to be completed before the end of the first quarter of Year 2). Staff/contractor resources will be firmly committed to maintaining and updating the PFM interface over time so that regions can monitor their progress on key performance dimensions. Objective 3 has two major milestones: the completion of the design of the Workforce Data Information Tool (WDIT) by the first quarter of Year 2 and the public launch upon design completion. As with the other Objectives, data associated with Objective 3 will be continuously updated and expanded over the five-year life cycle of the grant.

Alignment of Costs. DEO will contract with CareerSource Florida and provide them with a \$2,101,450 million via the grant over five years to develop and implement the PFM. DEO will retain the remaining grant funds to support data reporting and analysis as well as data integration into the systems created in implementing objectives B and C, along with the costs associated with the independent evaluator. These grant funds will be leveraged by CareerSource Florida who will contribute a minimum of \$375,000 in additional funds to the project for the first two years of the grant to ensure the project is adequately funded. The bulk of the resources will go into creating and monitoring expanded measures (such as customer satisfaction) and creating the data environment and

communications tools necessary to ensure success. CareerSource Florida will also subsidize regional workforce board executive director's travel to the statewide meetings indicated in Figure 4. Thus, the grant and the additional CareerSource Florida resource commitments will total over \$3.4 million which is exclusive of the human capital investments which will be made by existing CareerSource Florida staff in the overall development of the PFM. Finally, CareerSource Florida staff will recommend that its board utilize a portion of its state WIA set-aside to fund the PFM upon its implementation.

Readiness for Implementation. The CareerSource Florida Board of Directors recently (and enthusiastically) endorsed research into creating a PFM for the CareerSource Florida Network. DEO also has a very close working relationship with CareerSource Florida and has an existing contract in place which forms the basis of the relationship. Because CareerSource Florida's Board of Directors has just signaled its intent to move forward with a PFM if funds can be found, DEO staff have already been working closely with CareerSource Florida to identify resources to ensure success. Thus CareerSource Florida and DEO, the two key partners, have already formed a core understanding of the project's overall direction and are poised, once resources are identified, to build and implement a PFM.

ii. Project Management Approach. Florida's DEO along with CareerSource Florida have the fiscal and administrative structure need to effectively and efficiently manage the PFM initiative. DEO will be the fiscal agent responsible for all fiscal compliance and reporting requirements to the U.S. Department of Labor (USDOL). DEO directly administers federal programs with an annual budget in excess of \$385 Million, including WIA, UI, Wagner-Peyser, TANF, SNAP and LMI. DEO also works with the regions to support statewide service delivery at Florida's nearly 100 CareerSource Centers (American Job Centers) and routinely partners with CareerSource Florida, the education infrastructure, economic development partners, etc. to achieve common, statewide aims.

DEO utilizes strict accounting standards for funds management and has an internal audit unit that ensures that all federal and state laws, statutes, regulations, circulars, etc., are strictly followed. DEO has a history of submitting financial and program reports on time as it manages large formula grants as well as discretionary grants. DEO also works closely with the regional USDOL Employment and Training Administration (ETA) office and has a positive working relationship with technical assistance, evaluation and oversight. In this capacity, DEO will collect all of the data and information necessary to ensure that USDOL requirements are strictly met for the lifetime of this grant. These activities will be closely managed by DEO's Division of Finance and Administration.

DEO will contract with CareerSource Florida to build and execute the PFM. The PFM initiative will be led by Rod Lewis, PhD, who serves as Vice President for Strategic Initiatives at CareerSource Florida. Dr. Lewis has a long history of involvement in the federal grants process and will provide the project oversight necessary to ensure success of the project in meeting the proposed timeline.

CareerSource Florida will appoint a PFM project manager who will report directly to Dr. Lewis. Specifically, the Project Manager will need the following experience and qualifications: 1) ability to work independently and with partners, contractors and staff; 2) core knowledge of the federal grants and budgeting process; 3) ability to manage, develop and coordinate a highly complex project administered over a multi-year period; 4) general technological knowledge associated with the construction and maintenance of data collection tools and data dissemination and communication platforms; 5) excellent oral and written communications skills; 6) ability to build consensus among stakeholders with diverse interests; 7) ability to work with a broad range of entities including USDOL, state agencies, educational leaders, and labor market experts; 8) core knowledge of basic principles and practices of original data collection via mixed-mode survey platforms; and, 9) core knowledge of statistics and basic measurement theory.

The key partners, staff and stakeholders are identified in the attachment entitled “ATTACHMENT: Organizational Chart.” The various participating key organizations and stakeholders are identified in the chart. This includes the USDOL (orange) which will contract with DEO (grey) for the grant and will receive, from DEO the required reports and output. DEO will contract with the CareerSource Florida (light blue) Board for PFM model development and implementation as well as the external evaluator (light red). The core of the PFM development and implementation is identified in lavender. The PFM Initiative will be led by a project manager (TBD) who will manage the three core elements which are associated with the three key objectives – PFM design and implementation, data production, and data interface (communications, etc.). CareerSource Florida’s Vice President for Programs and Policy will work to adjust CareerSource Florida’s policies and procedures to accommodate the new PFM and CareerSource Florida’s Vice President for Communications will advise on the design and development of communications protocols to ensure that all stakeholders are kept fully informed. DEO’s existing data infrastructure which resides in its Performance Unit and the Labor Market Information (LMI) Unit will feed core data into the data production tool and will support the development of the new databases necessary to accommodate new metrics associated with the PFM. Key stakeholders will interface with the process directly – with CareerSource Florida’s business-led board and PFM Board sponsor providing strategic counsel directly to the Program Director and assisting with model design. In a similar fashion, regional workforce boards will interact with the Project Manager, on a more granular level, in support of PFM development. In turn, the outcomes of work supported by the Program Director, the Project Manager and the External Evaluator feedback through to USDOL via DEO. As the organizational chart suggests, beyond the input of stakeholders and partners through the CareerSource Florida Network, DEO and CareerSource Florida are the key actors. Their long standing, highly effective working relationship should ensure that the project is executed quickly and seamlessly.

On the process side, DEO will ensure that the third-party independent evaluator is secured in a timely fashion and that the independent evaluator has the experience necessary to design and implement the project evaluation plan as proposed and approved. DEO will follow standard state procurement policies (to which it is bound by state law) in procuring a third-party independent evaluator. The qualifications of the third-party independent evaluator, identified in the Program Evaluation Plan and Evaluation Budget submitted separately, shall be utilized in the assessment of applicants for the third party evaluator. DEO has significant experience with procurement activities and routinely utilizes the state's RFP (Request for Proposal) and ITN (Invitation to Negotiate) processes in awarding contracts which range from several thousand dollars to tens of millions of dollars. Thus, DEO has the experience necessary to secure a highly-qualified, effective, independent third-party evaluator in a timely fashion.

d) Project Impact

The PFM is unique in that if it is successfully adopted and implemented by CareerSource Florida based on the three objectives outlined in this proposal it will, by definition, produce the data necessary to demonstrate the impact of the project. The data structure necessary to capture some of these data elements (employment, wages, training outcomes, etc.) have been developed and are part of DEO's core Management Information System (MIS) data structure. These data reside in DEO's Performance Unit and are supported by funding from CareerSource Florida. As noted in Table 3, data exist to develop additional metrics which will be integrated into the PFM, but the measures themselves have not been developed. Finally, beyond existing metrics and those metrics which are easily obtained, there is a third class of metrics. These are metrics for which primary data collection will be necessary (customer satisfaction, for example) in order to develop the measures. It is important to note that the infrastructure necessary to integrate those data into the current MIS structure must be built as well.

Talent existing in DEO and CareerSource Florida, supported by additional personnel as necessary, will be utilized to improve the data infrastructure in anticipation of the receipt of those data.

Two key objectives of the project (B and C) are specifically tailored towards the development of the data necessary to evaluate regional workforce board performance (and by extension, success of the PFM) and the development of the web portals necessary to communicate these data and supporting data to the regions and the broader public. Because the PFM itself (the development of which is the overarching goal of the grant application) is heavily reliant on accurate data for success, the actual development of the PFM will result in more effective and efficient data collection, enhanced measurement of outcomes and the dissemination of those outcomes – not just to USDOL, but to the state, to the regions and to the broader public.

As we note in Table 3, more efficient delivery of services is one of the key indicators which is supported by the CareerSource Florida Network for inclusion into the PFM. Current data infrastructure, housed within DEO, allows for the measurement of costs per placement as we demonstrated in section (a) of this proposal. Although those measures were fairly blunt, they demonstrate that CareerSource Florida is interested in leveraging the PFM to reduce costs across regional workforce boards in order to be able to devote additional resources to helping Floridians enter, remain and advance in the workforce. The development of the PFM data infrastructure will allow DEO to more effectively track costs by type (programmatic, administrative, etc.) and the funding incentives will encourage regional workforce boards to control these costs relative to outcomes (placements, average earnings, etc.). The inclusion of other measures of success, including Common Measures and service to underserved populations should encourage regional workforce boards to strike the appropriate balance between cutting costs and ensuring service to hard-to-serve populations.

e) Strategic Leadership

i. Strategic Relationships and Leadership Buy-In. A major advantage that DEO will have in guiding the implementation of the PFM is that the mechanisms and partnerships to design and implement the PFM are already in place across the two entities (DEO and CareerSource Florida). CareerSource Florida's Board of Directors, upon which the executive director of DEO serves, very recently approved the study of the adoption of a PFM and appointed a "board champion" to support the effort to find the resources necessary to build and structure the PFM. This grant provides a unique opportunity to ensure that this support and these partnerships are leveraged into quick action. Additionally, the fact that these relationships exist and are well documented ensures that design and implementation of a PFM for Florida's workforce system can occur efficiently. The PFM will be institutionalized over the life of the grant and will remain in place per CareerSource Florida and DEO policy well beyond the grant period of performance. A letter of support from CareerSource Florida to DEO is attached. It outlines CareerSource Florida's support of this grant application, CareerSource Florida's support of a PFM model for the workforce system and documents recent board action to this effect.

ii. Strategic Communication. The goal of the communication strategy will be to keep stakeholders fully engaged in the development of the PFM, informed of progress and cognizant of the impacts of the adoption of the model. As we note in this application, two objectives support the development of better communications infrastructure in terms of data to inform the decision making process and outcomes data which informs regions of performance relative to the model. Thus, the adoption of the PFM as designed here ensures that communication will occur in a more effective and efficient manner on a number of dimensions which are critical to overall project success.

In addition, in the application and timeline we note heavy regional and state board engagement in the design and development of the PFM. This includes a series of statewide meetings involving regional workforce board partners as well as opportunities for identified stakeholders to have input in the

process (see the organizational chart attached). Moreover, CareerSource Florida will incorporate, as part of its deliverable structure, regularly scheduled updates of progress to the CareerSource Florida Board of Directors as well as regional workforce boards; regularly scheduled updates via electronic communication to education and training partners, public dissemination of quarterly reports prepared for USDOL, updates on the PFM into CareerSource Florida publications and press releases and other mechanisms which may include workshops, focus groups and tailored presentations to interested stakeholders.

iii. Integration into Formula-Funded Activities. The PFM is designed to be sustainable over the long term. Securing these grant funds will provide the opportunity for CareerSource Florida and DEO to develop the model in a more effective and efficient fashion and aid the national workforce system in understanding the potential benefits associated with a PFM model. Because the PFM will be designed to incentivize targeted goals, ensure continuous improvement and the achievement of excellence, it is applicable (and will be designed to be applied) to all formula funding streams. Thus, all formula funding streams should see more effective and efficient service delivery because of the incentive mechanisms created via the adoption of the PFM. Moreover, the communication mechanisms built into the model's core structure should incentivize greater cooperation among regions in an effort to achieve efficiencies across multiple funding streams.