

May 19, 2003

<b>DIRECTIVE:</b>	<b>JOB CORPS INFORMATION NOTICE NO. 02-25</b>
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**TO:** ALL JOB CORPS NATIONAL OFFICE SENIOR STAFF  
ALL JOB CORPS REGIONAL DIRECTORS  
ALL JOBCORPS CENTER DIRECTOR  
ALL JOB CORPS CENTER OPERATORS  
ALL NATIONAL TRAINING CONTRACTORS  
ALL OUTREACH, ADMISSIONS AND CTS CONTRACTORS

**FROM:** RICHARD C. TRIGG  
National Director  
Office of Job Corps

**SUBJECT:** Performance Based Service Contracting (PBSC) for Career  
Transition Services (CTS) Contracts

1. Purpose. To announce and seek input regarding Job Corps' plan to implement Performance Based Service Contracting for Career Transition Services contracts.
2. Background. In May 2002, Job Corps began implementing the initial phase of its PBSC initiative by incorporating incentive fee provisions into all new center contracts and option year awards for center operations.

In Phase 2 of our PBSC plan, we will implement incentive fee provisions for CTS contracts. Based on input received from the contractor community at the Policy Dialogue, held in January 2003, we will delay implementation of PBSC for Outreach/Admissions services.

Phase 2 will add incentive fee provisions to stand alone CTS contracts, to the CTS portion of combined OA/CTS contracts and to center contracts that have CTS responsibilities. CTS contracts with State agencies will be excluded, as they do not include fee.

The approach will be similar to the method used for center contracts, and will include the following features:

- New procurements issued as performance based contracts
- Existing contracts converted to performance based at Option Year award

- Fee structure includes both a base fixed fee and an incentive fee
- Incentive fee payments earned based on performance as measured by the Outcome Measurement System.
- Performance range established each PY based on performance for all CTS contracts for previous 12 months
- Incentive fee billed at the average fee level during the contract year and reconciled at the contract year end
- Performance Excellence Bonus earned by contracts exceeding the established performance range

Unlike the center PBSC plan, there will be no grace period for contractors taking over a new contract, and no contracts will be designated as ‘historically poor performing’.

3. Fee Structure. The fee structure for center operations contracts was set based on the average fee paid to contractors. However, for CTS contracts, there is a significant difference in the average fee paid for stand alone CTS contracts (5.76%) vs. that paid for center affiliated CTS contracts (4.55%). Consistent with this, Job Corps will set different fee limitations for stand alone and center affiliated contracts as follows:

a. New Procurements:

<b>Stand Alone CTS or OA/CTS Contracts</b>	
	<i>% of total direct and indirect costs</i>
Current Average Fee	5.76%
PBSC Fixed Fee Cap (75% of average fee)	4.32%
Average Incentive Fee (25% of average fee)	1.44%
Maximum Incentive Fee (Av. Incentive Fee * 2)	2.88%
Total Fixed + Max Incentive Fee	7.2%
Performance Excellence Bonus	(Max Incentive Fee + Fixed Fee) * 10%

<b>Center Affiliated CTS Contracts</b>	
	<i>% of total direct and indirect costs</i>
Current Average Fee	4.55%
PBSC Target Average Fee	4.8%*
PBSC Fixed Fee Cap (75% of average target fee)	3.6%
Average Incentive Fee (25% of average target fee)	1.2%
Maximum Incentive Fee (Av. Incentive Fee * 2)	2.4%
Total Fixed + Max Incentive Fee	6.0%
Performance Excellence Bonus	(Max Incentive Fee + Fixed Fee) * 10%

\* The current average fee for center affiliated CTS contracts is 4.55%. However, to simplify the procurement process, for center contracts that include CTS goals, Job Corps will use an average fee of 4.8%, the same average fee that is used for center operations contracts.

b. Option Year PBSC Conversions:

For both stand alone and center affiliated CTS contract Option Year awards, Job Corps will use the same method for setting base fixed fee and incentive fee levels that is used for center Option Year conversions. The pre-priced fixed fee for the option year will be used to set both the fixed and incentive portions of the fee, as follows:

<b>Option Year Conversions</b>	
Base Fixed Fee	75% of pre-priced fixed fee
Average Incentive Fee	25% of pre-priced fixed fee
Maximum Incentive Fee	(25% of pre-priced fixed fee) * 2
Total Fixed + Max Incentive Fee	125% of pre-priced fixed fee
Performance Excellence Bonus	(Max Incentive Fee + Fixed Fee) * 10%

4. Centers with CTS funding but no performance goals. A number of Job Corps center contracts include Estimated Cost and Funding for CTS, but they perform only support activities and do not have CTS goals (as reported on the CTSOMS report card). For incentive fee purposes, their CTS performance can not be directly measured using the Outcome Measurement System.

Regional directors will examine each such center contract to determine the appropriateness of CTS funding for the contract and either:

- Move the funding to the center operations line to support career transition readiness activities, or
- Move the funding to a contract with primary CTS responsibility.

5. Time line. Implementation of incentive fee provisions for CTS contracts is planned to begin October 1, 2003.

- All new CTS contracts effective October 1, 2003, and after will be awarded as performance based contracts and will contain incentive fee provisions.
- All new RFPs for Career Transition Services issued after release of this Notice will reflect incentive fee provisions and requirements.
- All CTS option year awards made October 1, 2003, and after will include incentive fee provisions.
- The Performance Range for CTS for PY 03 will be issued prior to October 1, 2003.

6. Action. Addressees are to ensure that a copy of this Notice is distributed to appropriate staff.

7. Expiration Date. June 6, 2003

6. Comments and Inquiries. Please submit any comments, input or questions regarding this plan to the attention of Pat Putnins at (206)553-7938 x8065, e-mail [Putnins.patricia@dol.gov](mailto:Putnins.patricia@dol.gov), or Renee Evans at (202) 693-3091, e-mail [Evans.renee@dol.gov](mailto:Evans.renee@dol.gov), not later than June 6, 2003.