

**ANALYSIS OF PERFORMANCE-BASED CONTRACTING IN THE DELIVERY OF
WELFARE SERVICES IN NEW YORK CITY**

City of New York Human Resources Administration, Office of Policy and Program Analysis

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Project Summary: The enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PROWRA) of 1996, followed by passage of the New York State Welfare Reform Act (WRA) by New York State, provided local governments in New York State with the flexibility and resources to design and implement welfare reform initiatives. These landmark acts ended entitlement for cash assistance and ushered in lifetime limits on the receipt of welfare benefits and work requirements for individuals receiving public assistance. Critical goals of the legislation were to make public assistance (under New York's Family Assistance and Safety Net Assistance programs) temporary and to assist needy individuals (and their families) in making the transition from welfare dependency toward economic self-sufficiency. This study examined the important role that performance-based contracting played in the overall implementation of welfare reform in New York City. It assessed effects of performance-based contracting on service providers and the service delivery system. HRA, which had formerly contracted for services primarily on a cost basis (using line-item contracting), instituted performance-based contracting with vendors. Negotiated acquisition contracts were awarded on a fixed-price basis with each contractor, and the contracts include significant built-in performance incentives. Payments to contractors were contingent upon meeting performance criteria, with payment closely tied to success in placement and retention of participants in jobs. The payment points (referred to as "milestones" within contracts) varied by contractor – though each had milestone payments for job placement and retention. Study results were based on interviews conducted with HRA officials, federal and state government officials, and contracted service providers with a variety of perspectives on performance-based contracting. Project staff from JHU and CRC began by reviewing the literature on performance management and performance-based contracting, in general. This was followed by a series of interviews with ten HRA administrators who had dealt with various aspects of performance-based contracting, administrators/staff at the four Skills Assessment and Placement (SAP) vendors, and administrators/staff at six (of the 12) Employment Services and Placement (ESP) vendors.

Report: B. Barnow and J. Trutko, *Finding Jobs for Welfare Recipients Through Performance-Based Contracting in Human Resources Administration Programs in New York City*, Johns Hopkins University and Capital Research Corporation, prepared for the New York Human Resources Administration and City University of New York (CUNY), 2003.