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April 25, 2019

TO: All Subrecipients of the Orange County Development Board

FROM: Carma Lacy
Director of Workforce Development

SUBJECT: WIOA Training Expenditure Requirement
Information Notice No. 18-OCDB-12
Supersedes Information Notice No. 12-OCWDA-04 *Coy*

PURPOSE:

This policy provides the guidance and establishes the procedures regarding the Workforce Innovation and Opportunity Act (WIOA) training expenditure requirement imposed by Assembly Bill (AB) 1149.

EFFECTIVE DATE:

This policy is effective on the date of issuance.

REFERENCES:

- WIOA Sections 3(59), 3(60), 134(c)(3)(D), and 134(d)(2)-(3)
- Title 29 United States Code (USC) Section 3174(c)(3)(D)
- Title 20 Code of Federal Regulations (CFR) Sections 680.200 and 680.900-680.970.
- Title IV of the Higher Education Act of 1965 Section 401
- California Unemployment Insurance Code (CUIC) Section 14211
- AB 1149 (Arambula), Chapter 423, Statutes of 2017
- Senate Bill (SB) 734 (DeSaulnier), Chapter 498, Statutes of 2011
- Workforce Services Directive WSD16-13, Subject: Quarterly and Monthly Reporting Requirements (November 28, 2016)
- Workforce Services Directive WSD18-10, Subject: WIOA Training Expenditure Requirement (January 31, 2019)

BACKGROUND:

SB 734 (Chapter 498, Statutes of 2011) added section 14211 to the CUIC. This section imposed training expenditure requirements on Local Boards carrying out Workforce Investment Act, and subsequently WIOA funded programs. Specifically, during Program Years (PY) 2012-13 through 2015-16, Local Boards were required to spend at least 25 percent of their adult and dislocated worker formula funds on training services. Beginning PY 2016-17, this training expenditure requirement increased to 30 percent. SB 734 allowed Local Boards to use seven



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categories of leveraged funds to receive a credit of up to 10 percent toward meeting their training expenditure requirement. Additionally, it detailed the actions that were required to be taken in the event that a Local Board did not meet the specified requirements. AB 1149 (Chapter 327, Statutes of 2017) amended the CUIIC Section 14211 to expand the types of services to which leveraged funds may be applied, and the types of leveraged funds that may be applied toward the 10 percent credit. In addition to the seven categories of leveraged resources permitted under SB 734, AB 1149 allows the following types of leveraged funds to count toward meeting the 30 percent minimum training expenditure requirement: Temporary Assistance for Needy Families (TANF) funds spent on supportive services, TANF funds spent on transitional and subsidized employment, local, state, or federal funds spent on training or supportive services, and any other public or private funds spent on training or supportive services, for individuals enrolled in training.

POLICY AND PROCEDURES:

Definitions

Note – These definitions apply only to this Directive and the requirements of the CUIIC Section 14211. They are independent of the definitions provided in WIOA and Workforce Services Directive Quarterly and Monthly Financial Reporting Requirements (WSD16-13).

Cash Contributions – Federal and/or non-federal contributions of funds made available to the subrecipient to be used for training or supportive services. Examples include federal and/or non-federal money received from employers, foundations, private entities, local governments, etc.

In-Kind Contributions – Federal and/or non-federal contributions of non-cash resources used for training or supportive services. Examples include donated personnel, services, or use of equipment or space.

Job Readiness Training – Job readiness training includes services that teach skills needed to be successful in the workplace, rather than skills needed to get into the workplace. It should provide participants with specific occupational competencies needed to perform specific work tasks on the job. For example, job readiness training courses could teach WIOA clients skills such as how to communicate in an office environment, how to function as part of a team, or how to work in a deadline driven workplace. In each of these instances, the focus of the training would be on competencies needed to succeed during the workday while on the job (rather than the skills needed to find and apply for a job).

Job Readiness Training does not include skills needed to find and apply for a job, (e.g., job search, interview, or resume writing skills). Under WIOA Section 134, services that teach skills necessary to find and apply for a job are classified as either basic career services or individualized career services. For example, job search assistance is defined as a basic career service, while group counseling or prevocational services focused on resume writing and interview skills are classified as individualized career services. These types of services do not qualify as training because they do not provide the client with competencies needed to perform

specific tasks on the job. As such, they do not qualify as training expenditures under the CUI Section 14211.

Leveraged Resources – Federal and non-federal resources (cash contributions and in-kind contributions) used by the subrecipient and/or subrecipient contractor for training or supportive services. Leveraged resources must be allowable and auditable under the WIOA program, and meet the requirements included in the “Leveraged Resources” section of this policy.

Match – Resources expended to support training or supportive services, if required as a condition of funding. Match resources can be cash match and/or in-kind contribution match. Match resources must meet the requirements included in the “Leveraged Resources” section of this policy.

Private Entity – any entity that is not a unit of government, including but not limited to a corporation, partnership, company, nonprofit organization, or other legal entity or a natural person.

Subrecipient – An organization funded directly by the state.

Subrecipient Contractor – An organization funded by the subrecipient.

Supportive Services – Services such as assistance with transportation, child care, dependent care, housing, uniforms, safety gear, testing fees, tools, books, school supplies, and needs-related payments that are necessary to enable an individual to participate in WIOA funded activities.

Training Services – See the “Qualifying Training Services” section of this policy.

Training Expenditure Requirement

Each PY, the County of Orange (County) must spend at least 30 percent of the combined total of their adult and dislocated worker WIOA formula fund allocation on training services. The minimum training expenditure requirement does not apply to the youth WIOA formula fund allocation. The County may apply designated leveraged resources used for training and supportive services (up to 10 percent of the combined total of their adult and dislocated worker formula fund allocation) toward meeting the minimum training expenditure requirement. See the “Leveraged Resources” section of this policy.

Calculating the Required Training Expenditure Level

The following examples display how the County would calculate their required training expenditure level:

1. Example 1 – The County met the 30 percent training expenditure requirement using adult and/or dislocated worker formula funds combined with leveraged resources.

In PY 2017-18, the Local Board received \$1,000,000 in WIOA adult formula funds and \$2,000,000 in WIOA dislocated worker formula funds.

Total adult and dislocated worker formula fund allocation (Calculation: \$1,000,000 + \$2,000,000)	<u>\$3,000,000</u>
Training expenditure requirement (Calculation: \$3,000,000 X 30%)	\$900,000
Leveraged resources applied to training expenditure requirement (Calculation: \$3,000,000 X 10%)	(\$300,000)
Required formula fund training expenditure (Calculation: \$900,000-\$300,000)	(\$600,000)

In this first example, the County must spend at least \$600,000 of WIOA adult and/or dislocated worker formula funds on training services. There is no requirement that a specific amount be spent from each allocation (WIOA adult vs. WIOA dislocated worker), therefore the \$600,000 could be WIOA adult funds, WIOA dislocated worker funds, or a combination of both.

2. Example 2 – The County met the 30 percent training expenditure requirement using WIOA adult and/or dislocated worker formula funds only (no leveraged resources).

In PY 2017-18, the Local Board received \$1,000,000 in WIOA adult formula funds and \$2,000,000 in WIOA dislocated worker formula funds.

Total adult and dislocated worker formula fund allocation (Calculation: \$1,000,000 + \$2,000,000)	<u>\$3,000,000</u>
Minimum training expenditure requirement (Calculation: \$3,000,000 X 30%)	\$900,000

In this second example, the County is not using any leveraged resources to meet the training expenditure requirement, and therefore must spend at least \$900,000 of WIOA adult and/or dislocated worker formula funds on training services. There is no requirement that a specific amount be spent from each allocation (WIOA adult vs. WIOA dislocated worker) therefore the \$900,000 could be WIOA adult funds, WIOA dislocated worker funds, or a combination of both.

Qualifying Training Services

In order to be applied toward the training expenditure requirement, training services must meet the following criteria:

1. Must be provided to WIOA adult or dislocated worker participants enrolled in a training activity in CalJOBS.
2. Must meet the definition of training services provided in WIOA Section 134(c)(3)(D):

Training services may include the following:

- a. Occupational skills training, including training for nontraditional employment.
 - b. On-the-job training.
 - c. Incumbent worker training.
 - d. Programs that combine workplace training with related instruction, which may include cooperative education programs.
 - e. Training programs operated by the private sector.
 - f. Skill upgrading and retraining.
 - g. Entrepreneurial training.
 - h. Transitional jobs.
 - i. Job readiness training provided in combination with any of the services in (a)-(h).
 - j. Adult education and literacy activities provided concurrently or in combination with any of the services in (a)-(g).
 - k. Customized training conducted with a commitment by an employer or group of employers to employ an individual upon successful completion of the training.
3. Must meet the definition of a training service as provided in Title 20 CFR Section 680.420:

A program of training services is one or more courses or classes, or a structured regimen that provides the services in Title 20 CFR Section 680.200 and leads to one of the following:

- a. An industry-recognized certificate or certification, a certificate of completion of a registered apprenticeship, a license recognized by the state involved or the federal government, an associate or baccalaureate degree.
 - b. A secondary school diploma or its equivalent.
 - c. Employment.
 - d. Measurable skill gains toward a credential described in (a) or (b) above, or employment.
4. Must pass the following three-pronged test:
 - a. Is the service defined as a basic or individualized career service under WIOA? If so, the service cannot be counted toward the training expenditure requirement.
 - b. Is the service defined as training under WIOA section 134(c)(3)(D)? If so, the service can be counted toward the training expenditure requirement.
 - c. Is the service not listed under WIOA section 134(c)(3)(D) but meets the definition of training in Title 20 CFR Section 680.420? If so, the service can be counted toward the training minimum.

The determining factors are whether the services are provided through a structured learning process and whether this learning process leads to the attainment of skills or competencies needed to perform work duties during the course of the workday. In summary, the service should lead to employment and/or greater labor productivity on the job.

Leveraged Resources

Allowable Leveraged Resources

Subrecipients may apply leveraged resources spent on training and supportive services toward meeting a portion of their minimum training expenditure requirement (an amount of up to 10 percent of their adult and dislocated worker formula fund allocation). Subrecipients may apply only the leveraged funds listed below as part of the 10 percent credit:

1. Federal Pell Grants established under Title IV of the Higher Education Act of 1965.
2. Public programs authorized by the Workforce Innovation and Opportunity Act of 2014 (e.g., Job Corps, Migrant and Seasonal Farm Worker, Rapid Response, WIOA Title II Adult Education and Literacy, national and state WIOA discretionary grants, WIOA youth program, etc.). This category of leveraged resources does not include WIOA adult and dislocated worker formula funds.

The County is permitted to apply youth formula funds expended on training for individuals ages 18-24 as a leveraged resource if: (1) the individuals are co-enrolled in either the WIOA adult or dislocated worker program, and (2) the training meets all requirements set forth in this policy.

3. Trade Adjustment Assistance.
4. Department of Labor National Emergency Grants.
5. Match funds from employers, industry, and industry associations (including the employer paid portion of customized training, the wages of an apprentice during the apprenticeship period, and the employer paid portion of on-the-job training).
Note – Match funds from the employer paid portion of on-the-job training may only include the employer's cost attributed to the participant's training. See Attachment I for further details.
6. Match funds from joint labor-management trusts.
7. Employment Training Panel grants.
8. Supportive services as defined by WIOA and the corresponding sections of the CFR, but only for those individuals enrolled in training services for occupations in demand by industry, as defined in Section 3174(c)(3)(D) of Title 29 of the United States Code and the corresponding sections of the CFR. Supportive services may include, but are not limited to, the costs of trainees' or students' books, safety and lab equipment, tools and any payment of costs permitted under WIOA rules and corresponding regulations pertaining to supportive services expenditures, including the rule that these supportive services costs are necessary for the individual to participate in training.

9. TANF funds spent on supportive services as defined by WIOA and the corresponding sections of the CFR, for TANF enrolled individuals co-enrolled in and receiving training services for occupations in demand by industry through WIOA. Supportive services may include, but are not limited to, the costs of trainees' or students' books, safety and lab equipment, tools and any payment of costs permitted under WIOA rules and corresponding regulations pertaining to supportive services expenditures, including the rule that these supportive services costs are necessary for the individual to participate in training.
10. TANF funds spent on transitional and subsidized employment for TANF enrolled individuals co-enrolled in and receiving training services through WIOA.
11. Any other local, state, or federal funds spent on training or supportive services for individuals enrolled in training, provided the individuals are enrolled in WIOA for performance reporting and tracking purposes.
12. Any other public or private funds source approved by the State Board used to provide training or supportive services to individuals enrolled in training, provided the individuals are enrolled in WIOA for performance reporting and tracking purposes.

Note – AB 1149 expanded the list of leveraged resources to include numbers 8-12 above. These additional leveraged resources may be applied as part of the 10 percent credit toward the PY 17-18 training expenditure requirement and for subsequent years, if the resources were applied on or after January 1, 2018.

Reporting Leveraged Resources

Subrecipients are not required to use leveraged resources toward meeting the minimum training expenditure requirement. However, if a subrecipient does choose this option, they must report all leveraged resources applied as part of the 10 percent credit in Attachment II, Summary of Leveraged Resources. This should be submitted to the County with monthly invoices.

Recordkeeping Requirements

Subrecipients must keep and maintain sufficient records of the leveraged resources which can be independently verified by the County and EDD. Any records of leveraged resources that cannot be verified will be removed from the subrecipient's Summary of Leveraged Resources report and may result in failure to meet the minimum training expenditure requirement.

Some examples of documentation that could qualify as sufficient records would include the following:

- A commitment letter or written agreement from an employer or training provider.
- A training agreement with an employer detailing the employer's contribution.
- A copy of the Pell Grant award letter or relevant correspondence from the school.
- An executed worksite agreement and participant time record.
- A participant progress report and/or evidence of completion.

This list is not all inclusive. The County has the discretion to determine what constitutes sufficient records.

Subrecipients reporting leveraged resources will be monitored each program year to ensure leverage reported is accurate and supported by documentation.

Costs arising from the recordkeeping required to demonstrate compliance with leveraged resources requirements are the responsibility of the subrecipient.

Corrective Action

Any subrecipient that does not meet the minimum training expenditure requirement set forth in their Agreement will be required to submit a corrective action plan to the County that provides reasons for not meeting the requirement and actions the subrecipient will take to address the training expenditure deficiencies. The corrective action plan will be due within 90 days of receiving notification that the subrecipient did not meet the training expenditure requirement.

Successful Corrective Action Plans typically contain (at a minimum) the following elements:

- What was your total (adult and dislocated worker) training expenditure level for the program year?
- What is your plan to meet the minimum training expenditure requirement for the current program year? (What will you do differently than the prior program year?)
- What strategies did you use in order to leverage resources from training and supportive services?
- Monitoring and tracking the training expenditures throughout the year is essential in order to meet the minimum training expenditure requirement. What strategies are you using to monitor and track your training and supportive services expenditures?
- What strategies, if any, did you use to procure service providers to meet the minimum training expenditure requirement?
- What, if any, are your technical assistance needs that must be addressed in order to meet the minimum training expenditure requirement?

ACTION:

Bring this Information Notice along with the attachment to the attention of all staff.

INQUIRIES:

If you have any questions, please contact appropriate contract administration staff at 714-480-6500.

ATTACHMENTS:

- Attachment I: Match Funds from Employer Paid Portion of OJT
- Attachment II: Summary of Leveraged Resources

Match Funds from Employer Paid Portion of On-the-Job Training

In meeting the training expenditure requirements of AB 1149, Local Workforce Development Boards may apply match funds from the employer paid portion of on-the-job training (OJT) as leveraged resources. In order to be applied toward the minimum training expenditure requirement, these match funds must be attributable to the cost of the participant's training.

Example – A subrecipient establishes an OJT contract with an employer that includes expected training costs of \$7,000 for a WIOA participant. The contract includes a 50 percent wage reimbursement rate for the employer. The participant will earn \$10,000 in wages during the OJT period.

In this scenario, WIOA provides \$5,000 in wage reimbursement and the employer provides \$5,000 in match funds.

Wage Reimbursement (Calculation: \$10,000 X 50%)	\$5,000
Employer Match Funds (Calculation: \$10,000 - \$5,000)	\$5,000

Of the \$7,000 in expected training costs, the WIOA reimburses the employer \$5,000; therefore, the employer has \$2,000 in unfunded training costs.

Wage Reimbursement (Calculation: \$10,000 X 50%)	\$5,000
Unfunded Training Costs (Calculation: \$7,000 - \$5,000)	\$2,000

In order to calculate the unfunded training costs, a subrecipient would subtract the \$5,000 in WIOA wage reimbursement from the \$7,000 cost to train the individual; this leaves \$2,000 in unfunded training costs. Of the employer's \$5,000 match, \$2,000 is spent on unfunded training costs and can be applied as leveraged resources. The remaining \$3,000 of the employer's match is considered wages and has no direct correlation to the cost of training. As a result, the \$3,000 cannot be applied as leveraged resources.

Wages Unrelated to Training (Calculation: \$5,000 - \$2,000)	\$3,000
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In summary, the \$5,000 in WIOA wage reimbursement can be applied toward the training expenditure requirement as formula funds.

The \$2,000 in unfunded training costs can be applied as a match fund leveraged resource.

The \$3,000 in wages paid to the participant cannot be applied as leveraged resources.

Summary of Leveraged Resources

1. Subrecipient Name	
2. Date	
3. Program Year	

Program Year Funding and Training Expenditures	
	Amount
4. Adult and Dislocated Worker Formula Fund Allocations	
5. Training Expenditure Requirement	
6. Formula Fund Training Expenditures	
7a. Leveraged Resources used for Training	
7b. Leveraged Resources used for Supportive Services	
8. Total amount spent on Training and Supportive Services (should equal or exceed Line 5)	

Leveraged Resources Detail			
9. Source (See page 2)	Amount	Training	Supportive Services
Total (should be equal to Lines 7a + 7b, above)			

Comments
10.

Certification		
11. Name (print)	12. Title	13. Phone Number
(sign)		
14. Contact Name	15. Contact Title	16. Phone Number

***Source (Choose from the following):**

- a) Federal Pell Grants established under Title IV of the *Higher Education Act of 1965*.
- b) Public programs authorized by the *Workforce Innovation and Opportunity Act (WIOA)* of 2014 (e.g., Job Corps, Migrant and Seasonal Farm Worker, Rapid Response, WIOA Title II Adult Education and Literacy, national and state WIOA discretionary grants, WIOA Youth program, etc.). This category of leveraged resources does not include WIOA Adult and Dislocated Worker formula funds.

Local Workforce Development Boards (Local Boards) are permitted to apply Youth formula funds expended on training for individuals ages 18-24 as a leveraged resource if: (1) the individuals are co-enrolled in either the WIOA Adult or Dislocated Worker program, and (2) the training meets all requirements set forth in this Directive.

- c) Trade Adjustment Assistance.
- d) Department of Labor National Dislocated Worker Grants.
- e) Match funds from employers, industry, and industry associations (including the employer paid portion of customized training, the wages of an apprentice during the apprenticeship period, and the employer paid portion of on-the-job training).

Note – Match funds from the employer paid portion of on-the-job training may only include the employer's cost attributed to the participant's training.

- f) Match funds from joint labor-management trusts.
- g) Employment Training Panel grants.
- h) Supportive services for individuals enrolled in and receiving training services through WIOA.
- i) Temporary Assistance for Needy Families (TANF) funds spent on supportive services, for TANF enrolled individuals co-enrolled in and receiving training services through WIOA.
- j) TANF funds spent on transitional and subsidized employment for TANF enrolled individuals co-enrolled in and receiving training services through WIOA.
- k) Any other local, state, or federal funds spent on training or supportive services for individuals enrolled in training, provided the individuals are enrolled in WIOA for performance reporting and tracking purposes.
- l) Any other public or private funds source approved by the California Workforce Development Board (State Board) used to provide training or supportive services to individuals enrolled in training, provided the individuals are enrolled in WIOA for performance reporting and tracking purposes. Please include a copy of the approval letter from the State Board.

Line Item Instructions Summary of Leveraged Resources

1. Subrecipient Name	Enter the name of the Subrecipient.
2. Date	Enter the date the Summary of Leveraged Resources is submitted to the County of Orange.
3. Program Year	Enter the program year.

Program Year Funding and Training Expenditures	
4. Adult and Dislocated Worker Formula Fund Allocations	Enter the total amount of Adult and Dislocated Worker formula fund allocations in the Agreement.
5. Training Expenditure Requirement	Total amount of training required in the Agreement.
6. Formula Fund Training Expenditures	Enter the total amount of Adult and Dislocated Worker formula funds spent on training services.
7a. Leveraged resources used toward training expenditure requirement	Enter the total amount of leveraged resources (expended on training) used to meet the minimum training expenditure requirement. (Note: This amount plus the amount from Line 7b combined, should be no more than 10 percent of the total Adult and Dislocated Worker formula fund allocations [Line 4]).
7b. Leveraged resources used toward training expenditure requirement	Enter the total amount of leveraged resources (expended on supportive services) used to meet the minimum training expenditure requirement. (Note: This amount plus the amount from Line 7a, should be no more than 10 percent of the total Adult and Dislocated Worker formula fund allocations [Line 4]).
8. Total amount spent on training and supportive services	Enter the sum of Lines 6, 7a, and 7b. This amount should equal or exceed Line 5.

Leveraged Resources Detail	
9. Source	<p>Complete the section titled Leveraged Resources Detail.</p> <p>Source: In the Source column on the left, enter the source of the leveraged resource (must be one of the 12 options given on page 2 [a-l]).</p> <p>Amount: In the Amount column, enter the amount leveraged (from that specific source).</p> <p>Place an “X” in either the Training or Supportive Services column to indicate whether the expenditure was a training expenditure or a supportive services expenditure. The total amounts for training should be equal to line 7a above. The total amounts for supportive services should be equal to line 7b above.</p> <p><i>Example:</i> If a subrecipient used \$10,000 in Trade Adjustment Assistance funds towards training services, they would enter “c” in the Source column, \$10,000 in the Amount column, and place an “X” in the Training column.</p> <p>Source options b, e, f, k, and l must be specified further. To include these leveraged resources, a Local Area would enter the appropriate letter and give an explanation of the specific source. For example, if a subrecipient used \$10,000 in Rapid Response funds towards training services, they would enter “b (<i>Rapid Response Funds</i>)” in the Source column, \$10,000 in the Amount column, and place an “X” in the Training column.</p> <p>All amounts entered in the Amount column should be added and the total should be placed in the bottom line. This amount should be equal to the combined amounts listed in lines 7a and 7b.</p>

Comments	
10. Comments	Enter any comments in this section.

Certification	
11. Name	Enter the name and signature of the authorized official who will be approving the Summary of Leveraged Resources form.
12. Title	Enter the title of the authorized individual.
13. Phone Number	Enter the phone number of the authorized individual.
14. Contact Name	Enter the name of the contact person to be reached in the event any questions should arise. The contact person will, in most cases, be the individual who prepares the report.
15. Contact Title	Enter the contact person’s title.
16. Phone Number	Enter the contact person’s phone number.