

**DIRECTIVE**  
**WORKFORCE SERVICES**

Number: WSD11-9

Date: May 17, 2012

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TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: WIA TRAINING EXPENDITURE REQUIREMENTS

**EXECUTIVE SUMMARY:**

**Purpose:**

The purpose of this directive is to provide guidance for implementing Workforce Investment Act (WIA) training expenditure requirements imposed by Senate Bill (SB) 734.

**Scope:**

This directive applies to all Local Workforce Investment Boards (local board).

**Effective Date:**

This directive is effective upon release.

**REFERENCES:**

- WIA Sections 101(8), 101(31), 134(a)(3)(A)(iv)(I), and 134(d)(4)(D)
- Title 29 United States Code (USC) Section 2864(d)(4)(D)
- Title 20 Code of Federal Regulations Sections 663.300 and 663.508
- Title IV of the Higher Education Act of 1965 Section 401
- SB 734 (DeSaulnier), Chapter 498, Statutes of 2011
- California Unemployment Insurance Code (CUIC) Section 14211
- Workforce Services Directive WSD09-11, Subject: Quarterly and Monthly Financial Reporting Requirements (March 2, 2010)
- WIA Directive WIAD06-15, Subject: Eligible Training Provider List (ETPL) (February 7, 2007)

**STATE-IMPOSED REQUIREMENTS:**

This document contains only State-imposed requirements.

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**FILING INSTRUCTIONS:**

This directive finalizes Workforce Services Draft Directive WSDD-66, issued for comment on March 13, 2012. The Workforce Services Division received 57 comments during the draft comment period. The comments received resulted in 6 substantive changes to the directive which are viewed as highlighted text. The highlighted text will remain on the Internet for 30 days from the issuance date. A summary of the comments is provided as Attachment 2. Retain this directive until further notice.

**BACKGROUND:**

SB 734 (Chapter 498, Statutes of 2011) added Section 14211 to the CUI. This section imposes new training expenditure requirements on local boards carrying out WIA funded programs and details the actions that must be taken in the event that a local board does not meet the specified requirements.

**POLICY AND PROCEDURES:**

**Definition of Terms**

Note: These definitions apply to this directive only and are independent of the definitions included in Workforce Services Directive WSD09-11, Quarterly and Monthly Financial Reporting Requirements.

*Cash Contributions* - Federal and/or non-federal contributions of funds made available to the Subrecipient to be used for training 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 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. Following Section 663.508 of Title 20 of the Code of Federal Regulations, job readiness training should provide participants with specific occupational competencies needed to perform specific work tasks on the job. For example, job readiness training courses could teach WIA 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. The focus of job readiness training is not on the skills needed to find and apply for a job, for example, services that focus on the way one conducts a job search, or how to do an interview, or how to write a resume. Under the federal statute, these services are classified either as Core or Intensive services in WIA section 134. For example, job search assistance is defined as a core service, while group counseling or prevocational services focused on resume writing and interview skills are both classified as intensive 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

under the definition of a training program outlined in Section 663.508 of Title 20 of the Code of Federal Regulations, and do not qualify as training expenditures under SB 734.

*Leveraged Resources* - All federal and non-federal resources (cash contributions and in-kind contributions) used by the Subrecipient and/or Subrecipient Contractor for training services. Leveraged resources must be allowable and auditable under the WIA program, and meet the requirements included in the “Leveraged Resources” section of this directive.

*Match* - Resources expended to support training 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 directive.

*Subrecipient* - An organization funded directly by the State.

*Subrecipient Contractor* - An organization funded by the Subrecipient.

*Training Services* – See the “Training Services” section of this directive.

**Required Training Expenditure Level**

Beginning Program Year (PY) 2012-13, local boards are required to spend at least 25 percent of the combined total of their adult and dislocated worker WIA formula fund allocations on workforce training services. This minimum training expenditure requirement does not apply to the youth WIA formula fund allocation. A portion of the minimum training expenditure requirement (an amount of up to 10 percent of the combined total of the adult and dislocated worker formula fund allocation) may be met by applying designated leveraged resources used for training services. See the “Leveraged Resources” section on pages 6-7 of this directive.

**Example 1: Local Board meets the training requirement using adult and/or dislocated worker formula funds combined with leveraged resources.**

For PY 2012-13, a local board receives \$1,000,000 in WIA adult formula funds and \$2,000,000 in WIA dislocated worker formula funds. The following example displays how the training expenditure requirement would be calculated.

Total adult and dislocated worker formula fund allocations (Calculation: \$1,000,000+\$2,000,000)	<u>\$3,000,000</u>
Minimum training expenditure requirement (Calculation: \$3,000,000 X 25%)	\$750,000
Leveraged resources applied to training expenditure requirement (Calculation: \$3,000,000 X 10%)	(\$300,000)
Required formula fund training expenditure (Calculation: \$750,000-\$300,000)	(\$450,000)

In this example, the local board must spend at least \$450,000 on training services using WIA adult and/or dislocated worker formula fund allocation dollars. There is no requirement that a specific amount be spent from each allocation (WIA adult vs. WIA

dislocated worker), therefore the \$450,000 could be WIA adult funds, WIA dislocated worker funds, or a combination of both.

Example 2: Local board meets the training expenditure requirement using WIA adult and/or dislocated worker formula funds only (no leveraged resources).

For PY 2012-13, a local board receives \$1,000,000 in WIA adult formula funds and \$2,000,000 in WIA dislocated worker formula funds. The following example displays how the training expenditure requirement would be calculated.

Total adult and dislocated worker formula fund allocations (Calculation: \$1,000,000+\$2,000,000 leveraged)	<u>\$3,000,000</u>
Minimum training expenditure requirement (Calculation: \$3,000,000 X 25%)	\$750,000

In this example, the local board is not using any leveraged resources to meet the training expenditure requirement and therefore, must spend at least \$750,000 on training services using WIA adult and/or dislocated worker formula fund allocation dollars. There is no requirement that a specified amount be spent from each allocation (WIA adult vs. WIA dislocated worker) therefore the \$750,000 could be WIA adult funds, WIA dislocated worker funds, or a combination of both.

Beginning PY 2016-17, the minimum training expenditure requirement will increase from 25 percent to 30 percent. Local boards will be required to spend at least 30 percent of their combined adult and dislocated worker WIA formula fund allocations on workforce training services. This minimum training expenditure requirement does not apply to the youth WIA formula fund allocations. A portion of the minimum training expenditure requirement (an amount up to 10 percent of the adult and dislocated worker formula fund allocation) may be met by applying designated leveraged resources used for training services. See the “Leveraged Resources” section on pages 6-7 of this directive.

**Training Services**

In order to apply toward the minimum training expenditure requirement, formula funds and leveraged resources must be expended on WIA adult or dislocated worker participants enrolled in a training activity in the Employment Development Department (EDD) California Workforce Services Network (CWSN) system. Formula funds and leveraged resources spent on WIA core, WIA intensive services, and supportive services may not be applied toward the minimum training expenditure requirement.

Training services may include:

- Occupational skills training, including training for nontraditional employment
- On-the-job training
- Programs that combine workplace training with related instruction, which may include cooperative education programs
- Training programs operated by the private sector
- Skill upgrading and retraining
- Entrepreneurial training

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- Job readiness training
- Adult education and literacy activities provided in combination with one or more of the other training services listed above
- Customized training conducted with a commitment by an employer or group of employers to employ an individual upon successful completion of the training

For an expenditure to be considered a training service and count toward the minimum training expenditure required by SB 734, the service must meet the definition of training contained in WIA Section 134(d)(4)(D), and Sections 663.300 and 663.508 of Title 20 of the Code of Federal Regulations. Section 663.300 of Title 20 establishes that the list in Section 134 (d)(4)(D) of WIA is not exhaustive. *However Section 663.300 of Title 20 does not allow local boards to simply count anything and everything toward the minimum training expenditure requirement contained in SB 734.* For a service to qualify as training it must also meet the definition of a training program in Section 663.508 of Title 20 of the Code of Federal Regulations which defines training in the following manner:

§ 663.508 What is a “program of training services”?

A program of training services is one or more courses or classes, or a structured regimen, that upon successful completion, leads to:

- (a) A certificate, an associate degree, baccalaureate degree, or
- (b) The skills or competencies needed for a specific job or jobs, an occupation, occupational group, or generally, for many types of jobs or occupations, as recognized by employers and determined prior to training.

The conceptual emphasis in Section 663.508 of Title 20 of the Code of Federal Regulations is on structured learning leading to the attainment of competencies needed on the job to perform one’s job duties. The goal of training is for workers to attain specific occupational skill-sets needed to perform work tasks during the workday.

There is a three-pronged test local boards can use to determine whether a service provided counts toward the minimum training expenditure required under SB 734.

1. Is the service defined as a core or intensive service under WIA? If so, the service cannot be counted toward the training minimum.
2. Is the service defined as training under WIA section 134(d)(4)(D)? If so, the service can be counted toward the training minimum.
3. If the service is not listed as training under WIA section 134(d)(4)(D) but does meet the definition of training in Section 663.508 of Title 20 of the Code of Federal Regulations, it may also 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 greater labor productivity on the job.

As a reminder, customized training, on-the-job training, and incumbent worker training do not require ETPL eligibility or the use of individual training accounts (ITA). Local boards

are encouraged to invest in training programs customized for growth industry sectors and in training that directly leads to employment. Additionally, local boards are encouraged to seek cost savings in the provision of universal services through coordination and integration with other One-Stop partners.

### **Leveraged Resources**

Local boards may apply leveraged resources used for training 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). Local boards may apply only the following leveraged funds as part of the 10 percent credit:

- Federal Pell Grants established under Title IV of the Higher Education Act of 1965
- Public programs authorized by the Workforce Investment Act of 1998 (e.g., Job Corps, Migrant Seasonal Farm Worker, Rapid Response, WIA Title II Adult Education and Literacy, national and state WIA discretionary grants, WIA youth program, etc.)

Local boards are permitted to apply youth formula funds expended on training for individuals ages 18-21 as a leveraged resource if: (1) the individuals are co-enrolled in either the WIA adult or dislocated worker program, and (2) the training meets all requirements set forth in this directive.

- Trade adjustment assistance
- Department of Labor National Emergency Grants
- Match funds from employers, industry, and industry associations (including the employer paid portion of on-the-job training and customized training)
- Match funds from joint labor-management trusts
- Employment training panel grants

Local boards are not required to use leveraged resources toward meeting the minimum training expenditure requirement. However, if a local board does choose this option, they must report all leveraged resources applied as part of the 10 percent credit in Attachment 1, Summary of Leveraged Resources. Additionally, they must keep sufficient records of the leveraged resources which can be independently verified by the EDD.

In order to allow local boards maximum flexibility in using leveraged resources, the EDD does not specifically define what would classify as sufficient records. However, some examples of documentation that could qualify as sufficient records would include:

- 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. Local boards have the discretion to determine what constitutes sufficient records. This determination may vary depending on the Local Workforce Investment Area.



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

Note: All leveraged resources reported under this directive must also be included in the amounts reported under Section VII, Miscellaneous Items, of the WIA Summary of Expenditures Report (see WSD09-11, Quarterly and Monthly Financial Reporting Requirements).

**Procedures**

The EDD will calculate training expenditures for each local board within six months after the end of the second program year of the two-year period availability of funds (e.g., the EDD will calculate training expenditures for PY 2012-13 funds by December 31, 2014, and will provide to each local board).

**Formula Funds**

The EDD will use the information provided in Section V, line 4 of the WIA Summary of Expenditures Report to calculate training expenditures of formula funds.

**Leveraged Resources**

Local boards applying leveraged resources toward the minimum training requirement should submit a signed copy of Attachment 1, Summary of Leveraged Resources, to the EDD no later than the October 1<sup>st</sup> following the end of the two-year period of fund availability. Local boards may mail, hand deliver, or fax the completed summary as follows:

Mail: Financial Management Unit, MIC 69  
Workforce Services Division  
Employment Development Department  
P.O. Box 826880  
Sacramento, CA 94280-0001

Hand Deliver: Financial Management Unit, MIC 69  
Workforce Services Division  
Employment Development Department  
722 Capitol Mall, Room 5099  
Sacramento, CA 95814

FAX: (916) 654-9753, Attn: Financial Management Unit

**Corrective Action**

Any local board that does not meet the minimum training expenditure requirement will be required to submit a corrective action plan to the EDD that provides reasons for not meeting the requirement and actions the local board will take to address the training expenditure deficiencies. If required, the corrective action plan will be due within 90 days

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of receiving notification from EDD that the local board did not meet the training expenditure requirement.

The EDD will notify the State Board whether each local board met their respective minimum training expenditure requirement.

## **ACTION:**

Bring this directive to the attention of the local board and other relevant parties.

## **INQUIRIES:**

If you have questions concerning this directive, please contact your assigned [Regional Advisor](#) at (916) 654-7799.

/S/ MICHAEL EVASHENK, Chief  
Workforce Services Division

Attachments are available on the Internet:

1. [Summary of Leveraged Resources](#)
2. [Summary of Comments](#)
3. [Letter from DeSaulnier \(author of SB 734\) regarding intent for supportive services](#)