

## WIOA TRAINING EXPENDITURE REQUIREMENT

### EXECUTIVE SUMMARY

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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. This policy applies to all Local Workforce Development Boards (Local Boards), and is effective on the date of issuance.

This policy contains some state-imposed requirements. All state-imposed requirements are indicated by ***bold, italic*** type.

This Directive finalizes Workforce Services Draft Directive *WIOA Training Expenditure Requirement* (WSD18-184), issued for comment on June 22, 2018. The Workforce Development Community submitted 10 comments during the draft comment period. A summary of comments, including all changes, is provided as Attachment 3.

This policy supersedes Workforce Services Directive *WIA Training Expenditure Requirements* (WSD14-01), dated July 8, 2014. Retain this directive until further notice.

### REFERENCES

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- 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)

*The EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities.*

- WSD15-07, Subject: *WIOA Eligible Training Provider List – Policy and Procedures* (November 10, 2015)

## BACKGROUND

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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 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 CUIC 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

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### Definitions

Note – These definitions apply only to this Directive and the requirements of the CUIC 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 either as 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 Directive.

*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 Directive.

*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 Directive.

### **Training Expenditure Requirement**

Each PY, Local boards 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. Local Boards 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 Directive.

The training expenditure level for each Local Board after the two-year availability period of the funds is in the “Procedures” section of this Directive.

#### *Calculating the Required Training Expenditure Level*

The following examples display how a Local Board would calculate their required training expenditure level:

- Example 1 – A Local Board 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 Local Board 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.

- Example 2 – A Local Board 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)

\$3,000,000

Minimum training expenditure requirement

(Calculation: \$3,000,000 X 30%)

\$900,000

In this second example, the Local Board 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<sup>SM</sup>.
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*

Local Boards 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). Local Boards 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.

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.

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 2 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.

Local Areas seeking approval for funds under this category must submit a letter to the State Board. The State Board will respond with a decision in writing within ten days. Letters may be mailed or hand delivered to the following addresses:

**Mail** California Workforce Development Board  
ATTN: Policy Unit  
P.O. Box 826880  
Sacramento, CA 94280-0001

**Hand Deliver** California Workforce Development Board  
ATTN: Policy Unit  
800 Capitol Mall, Suite 1022  
Sacramento, CA 95814

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.

#### *Shared Leveraged Resources Among Local Boards*

If a Local Board uses leveraged resources to subcontract with another Local Board to obtain training services, those funds cannot be counted by both parties toward meeting the training expenditure requirement. It is the responsibility of the Local Boards to negotiate and decide which Local Board will account for the expenditure towards meeting the training expenditure requirement.

- Example 1 – Local Board A sub awarded \$25,000 in National Dislocated Worker Grant funds to Local Board B to provide training services. The participants served by the \$25,000 were co-enrolled by both Local Areas.

In this scenario, either Local Board A *or* Local Board B can apply the \$25,000 as leveraged funds toward meeting the training expenditure requirement. They both cannot apply the \$25,000.



- Example 2 – Local Board A sub awarded \$30,000 in WIOA adult and/or dislocated worker formula funds to Local Board B to provide training services. The participants served by the \$30,000 were co-enrolled by both Local Areas.

In this scenario, only Local Board A can apply the \$30,000 of formula funds toward meeting the training expenditure requirement. Local Board B *cannot* apply the \$30,000 as leveraged funds since WIOA adult and dislocated worker formula funds are not one of the leveraged resources authorized under the CUI Section 14211.

### *Reporting Leveraged Resources*

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 2, Summary of Leveraged Resources.

All leveraged resources reported under this Directive must also be included in the amounts reported under Section VII, Miscellaneous Items, of the WIOA Summary of Expenditures Report (see WSD16-13, *Quarterly and Monthly Financial Reporting Requirements*).

### *Recordkeeping Requirements*

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

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 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. Local Boards have the discretion to determine what constitutes sufficient records. This determination may vary depending on the Local Area.

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

## 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 availability period of funds. The EDD will notify the State Board whether each Local Board met their respective minimum training expenditure requirement.

- **Formula Funds**

The EDD will use the information provided in Section V, lines 5a and 5c of the WIOA Summary of Expenditures Report to calculate training expenditures of formula funds.

- **Leveraged Resources**

Local Boards applying leveraged resources toward the minimum training requirement must submit a signed copy of Attachment 2, Summary of Leveraged Resources, to the EDD no later than the August 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**                                      Branch Financial Management Unit, MIC 69  
Workforce Services Division  
Employment Development Department  
P.O. Box 826880  
Sacramento, CA 94280-0001

**Hand Deliver**                            Branch Financial Management Unit, MIC 69  
Workforce Services Division  
Employment Development Department  
722 Capitol Mall, Room 2071  
Sacramento, CA 95814

**EMAIL**                                      EDD WSB Financial Management Unit  
[WSBFinancialManagementUnit@edd.ca.gov](mailto:WSBFinancialManagementUnit@edd.ca.gov)

## Corrective Action

Any Local Board that does not meet the minimum training expenditure requirement will be required to submit a corrective action plan to their EDD Regional Advisor that provides reasons for not meeting the requirement and actions the Local Board will take to address the training expenditure deficiencies. The corrective action plan will be due within 90 days of receiving EDD notification that the Local Board 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 30 percent 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 30 percent minimum training expenditure requirement?
- What, if any, are your technical assistance needs that must be addressed in order to meet the 30 percent minimum training expenditure requirement?

**Mail**

ATTN: Regional Advisor  
Program and Technical Assistance Section, MIC 50  
Central Office Workforce Services Division  
Employment Development Department  
P.O. Box 826880  
Sacramento, CA 94280-0001

**Hand Deliver**

Program and Technical Assistance Section, MIC 50  
Central Office Workforce Services Division  
Employment Development Department  
722 Capitol Mall, Room 2071  
Sacramento, CA 95814

**EMAIL**

[Regional Advisor](#)

## ACTION

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Bring this Directive to the attention of the Local Board and other relevant parties.

## INQUIRIES

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

/S/ JAIME L. GUTIERREZ, Chief  
Central Office Workforce Services Division

Attachments are available on the internet:

1. [Match Funds from Employer Paid Portion of OJT](#)
2. [Summary of Leveraged Resources](#)
3. [Summary of Comments](#)