
Stipends and Incentive Payments

Executive Summary

This policy provides guidance and establishes the procedures for providing stipends and incentive payments to eligible participants enrolled in Workforce Innovation and Opportunity Act (WIOA) Title I Adult, Dislocated Worker, and Youth, other WIOA programs, and State of California general funds. This policy applies to all Local Workforce Development Boards, community-based organizations, and any other recipients or subrecipients of funds awarded by the state; all WIOA funds, including formula allocated funds, 15 Percent Governor's Discretionary funds, and any other WIOA-funded discretionary grants or programs; and State of California General funds, and is effective immediately.

This policy contains only state-imposed requirements.

This Directive finalizes Workforce Services Draft Directive *Stipends and Incentive Payments* (WSDD-253), issued for comment on December 06, 2023. The Workforce Development Community submitted 12 comments during the draft comment period. A summary of comments, including all changes, is provided as Attachment 1.

This Directive remains active until further notice.

References

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- Title 2 *Code of Federal Regulations* (CFR) Section 200.438, *Entertainment Costs*
 - [Workforce Services Directive](#), *CalJOBSSM Activity Codes*

Background

WIOA law and Final Regulations are silent on the provision of stipends and incentive payments to adult and dislocated worker populations in WIOA-funded programs, while some state-funded grants explicitly allow the use of stipends. This policy establishes the allowability of stipends and incentive payments to participants in WIOA and state-funded grants and programs.

Stipends and incentive payments to participants are strong motivators that help enable participation and lead to more successful outcomes for workforce program participants.

Stipends can alleviate financial stress by providing participants with the funds they need to be successful in the program. Stipends cover the costs associated with attending training, lost wages due to time spent in training, and ultimately ensure that participants do not drop out and return to lower-wage, lower-skilled occupations to meet immediate financial needs. Stipends cannot be used in lieu of wages.

Incentive payments, on the other hand, are provided as recognition for achievements and can help motivate participants to achieve successful outcomes that will lead to long term financial self-sufficiency. Incentive payments are considered awards and are used to encourage participants to complete training, remain in jobs, or for achievement in other program activities. Incentives may be given for a participant's achievement in training, education, work readiness skills, and/or an occupational skills attainment goal as identified in the Individual Service Strategy or Individual Employment Plan.

Prior approval from the state is not required to provide stipends or incentive payments to participants. However, recipients of funds from the state are required to have a policy in place prior to the provision of stipends or incentive payments within a federal or state-funded program. Organizations may elect to have a single policy for stipends and incentive payments that applies to all programs or may have separate policies that apply individually to a program or multiple programs.

This policy does not impose a dollar limit for stipends and incentive payments and does not place any limitations on the provision of stipends and incentive payments throughout a participant's participation period or during their follow-up period. Payments may be awarded in the form of cash, check, gift card, electronic payment, app-based payments, or other type of card. Entities should refer to the funding source being utilized and their own policies for any additional restrictions or requirements, including eligibility requirements.

Policy and Procedures

Definitions

Stipends – Fixed payments paid to program participants for participation in a training or other workforce activity that requires a substantial or regularly scheduled time commitment. Stipends are a form of financial support paid to a participant to help cover the costs associated with living expenses, travel, and/or materials needed to be successful in training or other workforce activities.

Incentive Payments – Payments paid to program participants for recognition and achievement directly tied to work experience, education, training, employment, or other program activities.

Requirements for Provision of Stipends

Stipends must enable individuals to participate in activities that contribute to achieving their goals and cannot be paid in lieu of wages. To provide stipends to program participants, recipients of funding from the state must have policies and procedures in place that meet the following criteria:

- a. Provides justification for how the provision of stipends is aligned with the goals of the program(s), including who is being served, what type of training, and why stipends are needed for participants to be successful.
- b. Aligns with the entity's organizational policies.
- c. Is in accordance with the requirements contained in 2 CFR part 200.438. (e.g., federal funds must not be spent on entertainment). This applies to federal funds through 2 CFR part 200.438 and is adopted to apply to state funds through reference in this directive.
- d. Ensures stipends will not be used in lieu of wages. In cases where wages are the most appropriate form of payment to the participant, wages must be paid in accordance with existing work-based learning and other policies.
- e. Outlines methodology for the determination of need for stipends, the determination of stipend amounts, and how determinations will be documented.
- f. Appropriately differentiates criteria between stipends and incentive payments if both types of payments are allowed within the program.

Recipients of funds from the state are not required to provide stipends, unless mandated through legislation for specific programs. Recipients may, through their own policies, be more restrictive than the state policy or not allow the use of stipends. Policies must be in place before stipends are paid with funds granted by the state. To incorporate the use of stipends into non-formula funded grants and/or programs, including WIOA discretionary grants or state-funded grants, policies and implementation must follow any grant-specific requirements and be incorporated into approved budgets, as applicable.

Requirements for Provision of Incentive Payments

Incentive payments must be for recognition and achievement directly tied to work experience, education, training, employment, or other program activities, and cannot be paid in lieu of wages. To provide incentive payments to program participants, recipients of funding from the state must have policies and procedures in place that meet the following criteria:

- a. Provides justification for how the provision of incentive payments is aligned with the goals of the program(s), including who is being served, and what type of activities and outcomes are being incentivized with the payments.
- b. Aligns with the entity's organizational policies.
- c. Is in accordance with the requirements contained in 2 CFR part 200.438 (e.g., federal funds must not be spent on entertainment). This applies to federal funds through 2 CFR part 200.438 and is adopted to apply to state funds through reference in this directive.

- d. Ensures that incentive payments will not be used in lieu of wages. In cases where wages are the most appropriate form of payment to the participant, wages must be paid in accordance with existing work-based learning and other policies.
- e. Outlines methodology for determining the appropriate use of incentive payments based on how they will help participants achieve goals, milestones, or outcomes; incentive payment amounts; and how determinations will be documented.
- f. Appropriately differentiates criteria between stipends and incentive payments if both types of payments are allowed.

To incorporate the use of incentive payments into non-formula funded grants and/or programs, including WIOA discretionary grants or state-funded grants, policies and implementation must follow any grant-specific requirements and be incorporated into approved budgets, as applicable.

Documentation of Stipends and Incentive Payments

All stipends and incentive payments must be documented in CalJOBS through case notes and appropriate activity code(s). When providing stipends and/or incentive payments, the following must be documented in the participant case file (case note): (1) Justification for why stipends and/or incentives are being provided, (2) the contribution it makes to the participant's success, and (3) how the stipend or incentive payment was calculated and why the dollar amount provided is necessary and reasonable.

Entities must verify that participation or achievements occurred in accordance with the terms of the payments documented in the participant case file prior to providing payments. Entities must maintain documentation sufficient to verify that participation or achievements occurred, for the purposes of local, state, and federal monitoring/audits.

Stipends must be recorded using the appropriate activity code:

- Stipends to Adult participants must be recorded using activity code 197 Supportive Services: Stipends.
- Stipends to Youth participants must be recorded using activity code 494 Supportive Services: Stipends.

Incentive Payments must be recorded using the appropriate activity code:

- Incentive Payments to Adult participants must be recorded using activity code 183 Supportive Service: Incentives/Bonuses.
- Incentive Payments to Youth participants must be recorded using activity code 419 Incentive Payment.

For more information, refer to the Workforce Services Directive, *CalJOBS Activity Codes*.

Recipients of funds from the state must maintain appropriate and identifiable expenditure records of stipends and incentive payments for the purposes of local, state, and federal

monitoring/audits in accordance with requirements of the funding source being used. For example, if providing a participant a cash incentive payment, appropriate documentation could include a combination of proof of cash withdrawal (bank statement, bank receipt, general ledger) and documentation of participant receipt of cash (signed receipt).

Policies for provision of stipends and incentive payments must account for the differences between stipends, incentive payments, and wages. It is critical to correctly identify payment types in the required documentation to avoid a disallowed cost if determined that a stipend or incentive was paid when a wage should have been paid. Entities must refer to the funding source being utilized for any additional documentation requirements.

Entities must determine if payments provided to participants are deemed taxable and are responsible for informing participants of potential tax implications. Additionally, entities must inform participants that there could be an impact to public benefits that are affected by earned or unearned income. Entities should refer participants to the agency paying the benefits, or a certified benefits professional (e.g., Disability Benefits Planner) for their benefit-related questions.

Action

Please bring this Directive to the attention of appropriate Local Area policy, administrative, fiscal staff, and other relevant parties.

Inquiries

If you have any questions, contact your respective [Regional Advisor](#) or Program Manager.

/s/ JAVIER ROMERO, Deputy Director
Workforce Services Branch

Attachments:

1. [Summary of Comments \(DOCX\)](#)

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