
STIPENDS AND INCENTIVE PAYMENTS

GENERAL INSTRUCTIONS

The attached Directive is being issued in draft to give the Workforce Development Community the opportunity to review and comment prior to final issuance.

Submit any comments by email no later than **January 8, 2024**.

All comments received within the comment period will be considered before issuing the final Directive. Commenters will not be responded to individually. Rather, a summary of comments will be released with the final Directive.

Comments received after the specified due date will not be considered.

Email WIOAPolicy@edd.ca.gov
Include "WSDD-253 Comments" in the email subject line.

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 Workers and Youth programs or 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.

References to WIOA Final Regulations are adopted to apply to stipends and incentives paid with general funds provided by the state of California, by incorporation in this Directive.

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

Retain this Directive until further notice.

REFERENCES

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- WIOA Final Regulation, 2 CFR Part 200
 - WIOA Final Regulations, 20 CFR 681.640
 - WIOA Final Regulations, 20 CFR 683.200(b)(2)
 - Workforce Services Directive WSD19-06, *CalJOBSSM Activity Codes* (December 27, 2019)

BACKGROUND

WIOA law and Final Regulations are silent on the provision of stipends and incentives to adult and dislocated worker populations in WIOA funded programs, while some state funded grants

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

explicitly allow the use of stipends. This policy establishes the allowability of stipend 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 help alleviate financial stress by providing participants with the funds they need in order 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 to replace 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. Incentives are considered awards and are used to encourage participants to complete training, remain in jobs, or complete 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 (ISS) or Individual Employment Plan (IEP). These payments may be awarded in the form of cash, check, gift card, or other type of card.

Prior approval from the state is not required in order to pay stipends or incentives to participants, however recipients of funds from the state are required to have a policy in place prior to the implementation of stipends and incentive payments within a program funded by the state.

POLICY AND PROCEDURES

Definitions

Stipends - Fixed payments paid to program participants for participation in a training or other workforce activity that requires a substantial 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.

Incentives - Payments paid to program participants for recognition and achievement directly tied to work experience, education, and training.

Requirements for Provision of Stipend Payments

Stipends must enable individuals to achieve their goals; and cannot be paid in lieu of wages. In order 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 appropriate justification for how the provision of stipends is aligned with the goals of the specific 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 local program's organizational policies.
- c. Is in accordance with the requirements contained in [2 CFR part 200](#). (e.g., federal funds must not be spent on entertainment). This applies to federal funds through 2 CFR part 200 and is adopted to apply to state funds, by incorporation in this Directive.
- d. Outlines that stipends will not be used to replace 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 incentives if both types of payments are allowed within the program.

Recipients of funding from the state are not required to provide stipends, unless mandated through legislation for specific programs, and may, through their own policies determine to 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. In order 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 the recognition and achievement directly tied to training activities and work experiences; and cannot be paid in lieu of wages. In order to provide incentives to program participants, recipients of funding from the state must have policies and procedures in place that meet the following criteria:

- a. Provides appropriate justification for how the provision of incentives is aligned with the goals of the specific program(s), including who is being served, and what type of activities and outcomes are being incentivized with the payments.
- b. Aligns with the local program's organizational policies.
- c. Is in accordance with the requirements contained in [2 CFR part 200](#) (e.g., federal funds must not be spent on entertainment). This applies to federal funds through 2 CFR part 200 and is adopted to apply to state funds, by incorporation in this Directive.
- d. Outlines that incentives will not be used to replace 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 incentives based on how they will help participants achieve goals, milestones, or outcomes, incentive amounts, and how determinations will be documented.

- f. Appropriately differentiates criteria between stipends and incentives if both types of payments are allowed.

In order to incorporate the use of incentive payments into special grants and/or programs, 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.

Stipends must also be recorded using the appropriate activity code:

- Stipends to Adult participants must be recorded using activity code XXX Supportive Services: Stipends
- Stipends to Youth participants must be recorded using activity code XXX Supportive Services: Stipends

Incentive Payments must also 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 Attachment 1 of WSD19-06.

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. When writing stipend and incentive policies, the EDD encourages entities to adhere to Internal Revenue Service guidelines to understand the differences between stipends, incentives, and wages. It is critical to correctly identify payments to avoid a disallowed cost if deemed as wages. The recipient of funds is responsible for properly educating participants on any potential tax implications or impact to public benefits, like federal disability benefits or other benefit types that are impacted by earned or unearned income.

ACTION

Please bring this Directive to the attention of all relevant parties.

INQUIRIES

If you have any questions, contact your respective Regional Advisor or Program Manager.

/s/ JAVIER ROMERO, Deputy Director
Workforce Services Branch