



Employment Security Department

WASHINGTON STATE

Workforce Innovation and Opportunity Act Policy Employment System Administration and Policy

Washington envisions a nationally recognized fully integrated One-Stop system with enhanced customer access to program services, improved long-term employment outcomes for job seekers and consistent, high quality services to business customers. In order to achieve this vision, Employment System Administration and Policy sets a common direction and standards for Washington's WorkSource system through the development of WorkSource system policies, information memoranda, and technical assistance.

Policy Number: 5621, Revision 5
To: Washington WorkSource System
Effective Date: January 13, 2023
Subject: Incentive Payments to WIOA Title I Participants

1. Purpose:

To provide clarification and guidance on incentives payments to eligible participants under Title I of the Workforce Innovation and Opportunity Act (WIOA).

2. Background:

There has been some confusion regarding the use of incentives and/or stipends for participants in WIOA Title I programs. Although there is specific reference in the WIOA final rules regarding incentive payments to youth at 20 CFR 681.640, there is no similar reference to incentive payments or stipends to adults and dislocated workers. Further, although the WIOA final rules and WIOA operating guidance state that guidance in this area is forthcoming, the one-stop system is still awaiting such guidance. Therefore, to provide needed clarification to Washington's WorkSource (one-stop) system, the Employment Security Department (ESD) is issuing this policy to eliminate confusion and support comprehensive service delivery. If and when federal guidance is issued, ESD will review this state policy and make necessary and appropriate revisions.

3. Policy:

a. Incentive Payments to Youth. Prior state approval is **not** required for incentive payments to WIOA Title I youth participants so long as the criteria in 3(a)(i-v) are satisfied.

Per Section 5 of TEG 21-16, incentive payments to WIOA Title I youth participants paid for with WIOA funds are permitted for recognition and achievement of milestones tied to work experience, education, or training. To that end, the allowable WIOA Title I youth program elements to which incentives may be tied can be found in [Attachment A](#). This includes youth engaged in youth program elements through activities funded by Title I statewide activities (Governor's reserve) funds.

All Local Workforce Development Boards (LWDBs) must have policies and procedures that govern the award of incentive payments to Title I youth participants and must ensure that WIOA-funded incentive payments are:

- i. Tied to the goals of WIOA Title I.
- ii. Outlined in a written local policy prior to the start date of programs that might provide incentive payments.
- iii. Aligned with the LWDB's organizational policies.
- iv. In accordance with the requirements and cost principles in 2 CFR Part 200.
- v. Tied to youth program elements (which may include attainment of unsubsidized employment and/or employment retention resulting from participation in one or more program elements for which incentive payments are allowed (see Attachment A)).

The total amount of incentive payments to WIOA Title I youth participants in any single program year (July 1 to June 30) may not exceed the limits, if any, cited in local policy as they relate to WIOA Title I youth program formula grants for that program year.

The allowance for and limits on incentive payments to WIOA Title I youth participants in projects funded by WIOA Title I statewide activities discretionary funds will be outlined by the State in the contracts' special terms and conditions.

Incentive payments are not services but, rather, financial transactions. Youth service providers must document incentive payments to youth by recording in case notes and participant files the youth program element and milestone, including attainment and retention of unsubsidized employment, achieved along with the incentive amount paid for the achievement.

- b. Incentive Payments to Adults and Dislocated Workers.** The U.S. Department of Labor (DOL) has determined that incentive payments are participant support costs as defined at 2 CFR 200.75 and 2 CFR 200.456. Both 2 CFR 200.456 and 2 CFR 200.407(t) direct that participant support costs require prior written approval of the Federal awarding agency. Per 20 CFR 683.200(b)(2), DOL, as the Federal awarding agency, delegates approval authority to the Governor for participant support costs provided with funds allotted under WIOA Section 132 (adults and dislocated workers). LWDBs must therefore receive written prior approval from the State before offering incentive payments to WIOA Title I adult and dislocated worker participants (see [Attachment B](#)).

All Local Workforce Development Boards (LWDBs) that reserve the option to provide incentive payments to WIOA Title I adult and dislocated worker program participants must have policies and procedures that govern the award of incentive payments to those participants.

Procedurally, LWDBs that want to provide incentive payments to WIOA Title I adult and dislocated worker participants must request and receive state approval prior to expending

any program year allotment of WIOA Title I formula grant funds on such payments (see [Attachment B](#)).

Initial (first time) requests must include the following:

- The LWDB's local incentive payment policy for the adult and/or dislocated worker programs (which can be one policy or two separate policies);
- An explanation of the business case for incentive payments (i.e., why such payments are important to the success of the participants/recipients and the grant); and
- A description of the circumstances under which the LWDB anticipates the need to provide incentive payments to participants.

For **subsequent** program year requests, if there are no changes to the local policy, business case, and circumstances, LWDBs can e-mail a completed [Attachment B](#) to the Grants Management Office (GMO) at WorkforceInitiatives@esd.wa.gov before the July 1 program year start date by checking the box that indicates there are no changes to the local incentive policy, business case, or circumstances.

If there are changes to the local policy, business case, or circumstances, LWDBs must treat such policies like new or initial requests, check the appropriate box in [Attachment B](#), and send GMO the same information required for initial requests (see above).

Once approved, the state approvals are good for the life of those particular funds.

The total amount of incentive payments to WIOA Title I adult participants and WIOA Title I dislocated worker participants in any single program year (July 1 to June 30) may not exceed the limits, if any, established in local policy for WIOA Title I adult program formula grants and dislocated worker program formula grants, respectively, in that program year (e.g., an LWDB may choose to cap the total amount of incentive payments at no more than 5 percent of a Title I adult or dislocated worker formula grant).

Incentive payments to WIOA Title I adult and dislocated worker participants are limited to achievement milestones directly tied to work experience and the following WIOA-recognized training services – occupational skills training, registered apprenticeship, on-the-job training, increased capacity training, customized training, and entrepreneurial training. Unlike Title I youth, this excludes incentive payments for attainment and retention of unsubsidized employment for adults and dislocated workers who complete work experience or training services. Like Title I youth, this includes adults and dislocated workers engaged in activities funded by Title I statewide activities (Governor's reserve) funds.

- c. Local Justification and Documentation of Incentive Payments for Adults and Dislocated Workers.** It is the State's policy that incentive payments to eligible Title I Adult, and Dislocated Worker participants must be justified and documented by service providers.

Example: Completion of a registered apprenticeship program results in a recognized post-secondary credential. However, a service provider may have difficulty retaining apprentices

in training because trainees are lured away by employers offering jobs that don't require journey level skill and incentive payments could encourage apprentices to complete the program. LWDBs may incentivize completion of the registered apprenticeship program. Incentive amounts, though, must be carefully considered (i.e., not arbitrarily set) and documented. For instance, there is no need to use limited funds to provide \$2,000 incentive payments when \$500 incentive payments would suffice and net the same results (e.g., program completion versus leaving the program to accept another position for a minimal wage increase). By way of example, assume a scenario where apprentices are being lured away by employers offering \$1 per hour more in wages and that it is another six months before apprentices obtain that wage level. One could derive the amount of an incentive payment by equating this to an extra \$40 per week or \$160 per month. Multiplied by six months, this would be \$960. By this calculation, it would be reasonable to offer a \$1,000 incentive to apprentices for remaining with the program versus leaving for other employers. In this case, there is programmatic necessity and a rationale for the documented incentive amount.

Incentive payments are not services but, rather, financial transactions. Adult and Dislocated Worker program service providers must document (case note) in the case management system for each participant that receives an incentive payment(s) the WEX or training milestone achieved along with the incentive amount paid for the achievement. Service providers must also internally maintain appropriate and identifiable expenditure records of incentive payments for the purpose of local, state, and federal monitoring and audits.

- d. **Stipends.** The term "stipend" is used in the WIOA regulations pertaining to YouthBuild participants and participants in WIOA Native American (Section 166) programs. Though the term appears in the preamble of WIOA within the body of Title I comments provided to the Notice of Public Rule Making (NPRM), it is neither defined nor cited in any actual Title I regulation. However, a common definition of stipend implies a fixed sum as a periodic payment. An example would be a specific allowance for books each semester. ESD recommends that the term "stipend" not be used with respect to Title I participants to avoid unnecessary confusion. In the example cited, payments for books would be categorized as supportive services.

4. **Definitions:**

Participant support costs – Direct costs for items such as incentives, stipend or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects that are allowable with the prior approval of the Federal awarding agency [2 CFR 200.75 and 2 CFR 200.456]

5. **References:**

- WIOA Final Regulations, 20 CFR 681.640 – Are incentive payments to youth permitted?
- WIOA Final Regulations, 20 CFR 683.200(b)(2) – Allowable Costs and Cost Principles

- OMB Uniform Guidance, 2 CFR 200.456 – Participant Support Costs
- OMB Uniform Guidance, 2 CFR 200.75 – Participant Support Costs
- OMB Uniform Guidance, 2 CFR 200.407(t) – Prior Written Approval
- Training and Employment Guidance Letter (TEGL) 21-16
- Training and Employment Guidance Letter (TEGL) 19-16

6. Supersedes:

WIOA Title I Policy 5621, Revision 4

7. Website:

[Workforce Professionals Center](#)

8. Action:

Local Workforce Development Boards and their contractors must distribute this policy broadly throughout the system to ensure that WorkSource System staff are familiar with its content and requirements.

Additionally, Local Workforce Development Boards must review their current policies to ensure consistency with this state policy. If no local incentive payment policy for Title I adults and dislocated workers exists, LWDBs must develop one as a pre-condition for requesting state approval for providing incentive payments to such individuals.

9. Attachments:

[Attachment A](#) – Youth Program Elements for which incentive payments are or are not allowed

[Attachment B](#) – Request for Approval of Incentive Payments to WIOA Title I Adult or Dislocated Worker Participants (PDF version)

[Attachment B](#) - Request for Approval of Incentive Payments to WIOA Title I Adult or Dislocated Worker Participants (Word version for local use)

[Attachment C](#) - Request for Approval of Incentive Payments to WIOA Title I Adult or Dislocated Worker Participants – State Action (PDF version)

[Attachment C](#) - Request for Approval of Incentive Payments to WIOA Title I Adult or Dislocated Worker Participants – State Action (Word version for State use)

Direct Policy Inquiries To:

Employment System Administration and Policy Unit

*Employment System Policy and Integrity Division
Employment Security Department
P.O. Box 9046
Olympia WA 98507-9046
SystemPolicy@esd.wa.gov*

Direct Processing Inquiries To:

*Grants Management Office
Employment System Policy and Integrity Division
Employment Security Department
P.O Box 9046
Olympia, WA 98507-9046
ESDGPWorkforceInitiatives@esd.wa.gov*

Attachment A

Youth Program Elements for which incentive payments are or are not allowed

| No. | Program Element | Allowable |
|-----|--|-----------|
| 1 | Tutoring, study skills training, instruction, and dropout prevention | Yes |
| 2 | Alternative secondary school services or dropout recovery services | Yes |
| 3 | Paid and unpaid work experience | Yes |
| 4 | Occupational skills training | Yes |
| 5 | Education offered concurrently with workforce preparation and training for a specific occupation | Yes |
| 6 | Leadership development opportunities | No |
| 7 | Supportive services | No |
| 8 | Adult mentoring | No |
| 9 | Follow-up services | |
| | Supportive services in follow-up | No |
| | Adult mentoring in follow-up | No |
| | Financial literacy education in follow-up | Yes |
| | Services that provide labor market information in follow-up | No |
| | Post-secondary preparation and transition activities in follow-up | Yes |
| 10 | Comprehensive guidance and counseling | No |
| 11 | Financial literacy education | Yes |
| 12 | Entrepreneurial skills training | Yes |
| 13 | Services that provide labor market information | No |
| 14 | Post-secondary preparation and transition activities | Yes |

Note: Per Section 3.a.v. of this policy, youth incentive payments are also allowed for attainment of unsubsidized employment and/or employment retention resulting from participation in one or more program elements for which incentive payments qualify.

Attachment B

PY / FY Request for Approval

Incentive Payments to WIOA Title I Adult or Dislocated Worker Participants

Local Workforce Development Board:

Address:

Contact person:

Phone number:

E-mail address:

This request is for (check all that apply): Adults Dislocated Workers

- Initial request
- Subsequent request - No changes in local policy, business case, or circumstances
- Subsequent request – Changes in local policy, business case, or circumstances

Please attach the following documents to this request form for initial requests and any subsequent requests that involve changes to local policy, business cases, or circumstances:

- The LWDB’s local incentive payment policy for the adult and/or dislocated worker programs (it can be one combined policy or two separate policies);
- An explanation of the business case for incentive payments (i.e., how and why they are important to the success of the participants/recipients and the grant); and
- Brief descriptions of the situations in which the LWDB anticipates the need to provide incentive payments to participants.

Signature of Local Approving Authority

Date

Instructions to Local Workforce Development Boards:

E-mail this completed request form to ESD’s Grants Management Office at ESDGPWorkforceInitiatives@esd.wa.gov.

Attachment C

PY / FY Request for Approval – State Action

Incentive Payments to WIOA Title I Adult or Dislocated Worker Participants

Local Workforce Development Board:

To be completed by the Employment Security Department:

Incentive payments approved:

Incentive payments denied:

Reason for denial (if applicable):

Signature of Director of Employment System Policy and Integrity Division (or designee)

Date

Instructions to ESD Grants Management Office:

E-mail Attachment B to the Director of the Employment System Policy and Integrity Division (Subject Line: WIOA Title I Incentive Payment Approval) with a GMO recommendation in the e-mail to which this form is attached, then transmit Attachment C with the State's decision to the requesting Local Workforce Development Board.