



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: 5622

To: Washington WorkSource System

Effective Date: December 28, 2023

Subject: WIOA Title I-B Youth Stipends

1. Purpose:

To provide guidance and establish standards for the issuance of stipend payments to eligible and enrolled Workforce Innovation and Opportunity Act (WIOA) Title I-B youth program participants.

2. Background:

Stipends may be used as an allowable payment for participation in WIOA Title I-B youth program element activities such as occupational skills training or classroom activities, including high school equivalency preparation, work readiness, or employability skills training. Stipends cannot be used when an employer-employee relationship exists because that relationship warrants wages rather than stipends.

States and local areas have flexibility in determining when and how to pay stipends. However, they must have policies aligned with Federal regulations to guide the payment of those stipends. Staff need to understand when and how they might offer stipends to help youth achieve their goals.

Stipends for participants in the Youth Program are different from payments made as supportive services. Supportive service payments may only be made when they are necessary to enable an individual to participate in program activities. Stipends also differ from incentive payments made to incentivize participant attainment or achievement of program activity milestones. Stipends, rather, are used to recognize the time and effort spent participating in program activities.

3. Policy:

a. Allowable activities to which stipends may be applied

The allowable activities for which stipends may be provided to eligible and enrolled WIOA Title I-B youth program participants are identified in [Attachment A](#), which denotes the Youth Program Elements to which stipends can and cannot be applied.

Stipends must be tracked and documented separately from incentive payments that WIOA Title I-B youth participants might receive for achievement of milestones in Youth Program Elements like work experience, education, and training – activities for which stipends can concurrently be provided.

b. Internal Controls and Safeguards

LWDBs that implement stipends must have sufficient internal controls and safeguards in place to avoid or limit misuse or mismanagement of the federal funds put to such use. LWDBs should assess and identify the total dollar amount in the WIOA Title I-B youth formula grant to be allocated for stipends. An inventory log, periodic reconciliation process, and safeguards for the receipt, disbursement, and maintenance should be maintained for stipend transactions.

c. Federal Tax Reporting

WIOA Title I-B youth program participants who receive stipends totaling \$600.00 or more in a calendar year must be provided with an Internal Revenue Service (IRS) Form 1099-MISC by January 31 for the prior calendar year in which stipends (taxable miscellaneous income) were provided. Participants should be informed that they need to track and report stipends as income for the purpose of federal income tax reporting even if they do not receive a 1099-MISC. Stipends used by participants for educational purposes (i.e., tuition, books, fees, and campus-based room and board) are exempt from reporting.

Stipends should be processed as accounts payable rather than as payroll. The latter causes stipends to be treated as wages, in which case payroll taxes and deductions apply.

d. Local Policy

LWDBs are not required to provide youth stipends. However, LWDBs that choose to provide stipends using WIOA Title I-B youth formula grant funds must develop local policies that establish the guidelines, minimum requirements, procedures, and internal controls that service providers must follow. Local board policies must address the following:

- i. Qualifying Activities: The youth program elements for which stipends will be provided in the local area. Note: [Attachment A](#) identifies the activities for which stipends are allowed. LWDBs can elect to provide stipends for all qualifying activities or a more select number of those activities.
- ii. Eligibility: The factors or criteria that service providers must use when providing stipends to youth participants, including any criteria that must be met by participants to continue to receiving stipends.
- iii. Amounts: The parameters or limitations on stipend payment amounts provided to youth participants for either each individual qualifying youth program element or all qualifying youth program elements uniformly and, as applicable, the maximum amount of stipends youth participants can receive during participation episodes and any proration, where applicable, for incomplete activities, consistent with reasonable cost principles under 2 CFR 200.404 and 2 CFR 200.403(a).
- iv. Time-Based Payments: The maximum number of hours for which stipends will be paid and the hourly amount of the stipend, including hourly amounts if stipends vary by

activity, if a per hour methodology is used to determine the amount of stipend payments.

- v. Documentation: The documentation requirements for subsections d.i through d.iv for service providers that are paying the stipends.

4. **Definitions**:

Participant support costs – Direct costs for items such as stipends 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.

5. **References**:

- WIOA Final Regulations, 20 CFR 683.200(b)(2) – Allowable Costs and Cost Principles
- OMB Uniform Guidance, 2 CFR 200.1 – Definitions (Participant Support Costs)
- OMB Uniform Guidance, 2 CFR 200.403 – Factors affecting allowability of costs
- OMB Uniform Guidance, 2 CFR 200.404 – Reasonable costs
- OMB Uniform Guidance, 2 CFR 200.456 – Participant Support Costs
- [Forms of Payment for WIOA Youth Program Participants](#), U.S. Department of Labor, Employment and Training Administration, April 21, 2021
- [DOL YouthBuild Tip Sheet: The Wage or Stipend Debate](#), U.S. Department of Labor, Employment and Training Administration, July 5, 2022
- [Training and Employment Guidance Letter 21-16](#), Section 5, March 2, 2017

6. **Supersedes**:

None

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.

9. **Attachments**:

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

Direct Inquiries To:

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Attachment A

Youth Program Elements for which stipend 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	
	Paid work experience	No
	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	Yes
7	Supportive services	No
8	Adult mentoring	Yes
9	Follow-up services	
	Supportive services in follow-up	No
	Adult mentoring in follow-up	Yes
	Financial literacy education in follow-up	Yes
	Services that provide labor market information in follow-up	Yes
	Post-secondary preparation and transition activities in follow-up	Yes
10	Comprehensive guidance and counseling	Yes
11	Financial literacy education	Yes
12	Entrepreneurial skills training	Yes
13	Services that provide labor market information	Yes
14	Post-secondary preparation and transition activities	Yes

* Stipends paid to youth in unpaid WEX count toward the 20% WEX expenditure requirement.
Source: Section 5 of TEGl 21-16