

NORTEC POLICY STATEMENT TRAINING EXPENDITURES

Effective Date: July 1, 2012

Last Update: July 1, 2014

PURPOSE

The purpose of this policy is to provide guidance to the Service Providers (NoRTEC subcontractors) for implementing Workforce Investment Act (WIA) training expenditure requirements imposed by Senate Bill (SB) 734.

DEFINITIONS

These definitions apply to this policy statement only, and are independent of definitions in any other policy statement issued by NoRTEC.

Cash Contributions – Federal and/or non-federal contributions of funds made available to Service Providers to be used for training 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 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. Following Title 20 CFR Section 663.508, job readiness training should provide participants with specific occupational competencies needed to perform specific work tasks on the job.

Leverage Resources – All federal and no-federal resources (cash contributions and in-kind contributions) used by the Service Provider for training services. Leveraged resources must be allowable and auditable under the WIA program, and meet the requirements included in the “*Leveraged Resources*” section of this policy.

Match – Resources expended to support training 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 policy.

REQUIRED TRAINING EXPENDITURE LEVELS

Beginning July 1, 2012, Service Providers will be required to spend at least 26.75%¹ of their Adult and Dislocated Worker² formula fund allocations on workforce training services³.

¹ NoRTEC as an LWIA must spend a minimum of 25%. Since NoRTEC takes 6.5% off the top of formula funding, and this expenditure requirement applies to the total allocation received by NoRTEC, this equates to 26.75% of funding received by the Service Providers.

² The 26.75% minimum expenditure shall be calculated based on the total of the Adult and Dislocated Worker formula funding, not on each discrete funding source.

³ Youth formula funds are not included in this requirement.

A portion of the minimum training expenditure requirement (up to 10.7% of the original Adult and Dislocated Worker allocations) may be met by applying designated leveraged resources used for training services (see “Leveraged Resources” section of this policy).

Beginning July 1, 2016, the minimum training expenditure requirement for Adult and Dislocated Worker formula fund allocations will increase from 26.75% to 32.1%⁴. A portion of the minimum training expenditure requirement (up to 10.7% of the original Adult and Dislocated Worker allocations) may be met by applying designated leveraged resources used for training services (see “Leveraged Resources” section of this policy).

TRAINING SERVICES

In order to apply toward the minimum training expenditure requirement, formula funds and leveraged resources must be expended on participants enrolled in WIA and entered into the Management Information System (MIS) utilized by NoRTEC. These funds must be spent on training services as defined in Title 20 CFR Section 663.508:

A program of training services is one or more courses or classes, or a structured regimen, that upon successful completion, leads to: (1) a certificate, associate degree, or baccalaureate degree; or (2) the skills or competencies needed for a specific job or jobs, an occupation, occupational group, or generally, for many types of jobs or occupations, as recognized by employers and determined prior to training.

Examples of training services include:

- Occupational skills training, including training for nontraditional employment
- On-the-job training (OJT)
- Programs that combine workplace training with related instruction, which may include cooperative education programs
- Training programs operated by the private sector
- Skill upgrading and retraining
- Entrepreneurial training
- Job readiness training⁵
- Adult education and literacy activities *provided in conjunction with one or more of the other training services listed above*
- Customized training conducted with a commitment by an employer or group of employers to employ an individual upon successful completion of the training

⁴ The minimum training percentage for NoRTEC increases from 25% to 30% on July 1, 2016.

⁵ Job readiness training includes services that teach skills needed to be successful in the workplace, rather than the skills needed to get into the workplace. For example, job readiness training skills such as office communication, punctuality, and how to conduct oneself with supervisors and co-workers. It does not, however, teach skills such as job searching, interviewing, or resume writing.

With the exception of OJT and customized training, all training services listed above will require the training vendor be on the State of California's Eligible Training Provider List (ETPL).

Internships, Work Experience, and Supportive Service expenditures are not considered training services, and may not be used to meet the minimum training percentage requirement.⁶

LEVERAGED RESOURCES

Service Providers may apply leveraged resources used for training services toward meeting a portion of their minimum training expenditure requirement in an amount of up to 10.7% of the Service Provider's Adult and Dislocated Worker allocations.

Only the type of funds listed below may be utilized as part of the 10.7% credit:

- a. Federal Pell Grants established under Title IV of the High Education Act of 1965
- b. Public programs authorized by the Workforce Investment Act of 1998⁷
- c. Trade adjustment assistance
- d. Department of Labor National Emergency Grants
- e. Match funds from employers, industry, and industry associations⁸
- f. Match funds from joint labor-management trusts
- g. Employment training panel grants

Prior to July 1, 2014, all of the employer paid portion of an OJT could be used as a leveraged resource. Effective July 1, 2014, the employer paid portion of an OJT can only be utilized for that portion of the employer cost attributed to the participant's training. See Attachment A for additional details.

Service Providers are not required to use leveraged resources toward meeting the minimum training expenditure requirement, but if the Service Provider chooses to do so, leveraged resources must be reported on the monthly expenditure report by source (items a-g above), and a total amount per source (see Attachment B).

OVERSIGHT BY NORTEC

Each Service Provider will have a minimum amount of training expenditures identified by NORTEC, based on the provider's Adult and Dislocated Worker allocations for a program year.

⁶ Staffing and overhead costs associated with case managing a participant participating in a training activity may NOT be used to meet the minimum training expenditure requirement.

⁷ Examples include Job Corps, Migrant Seasonal Farm Worker, Rapid response, WIA Title II Adult Education and Literacy, national and state WIA discretionary grants (e.g., MCLAUS IX).

⁸ Including the employer paid portion of customized training contracts, the wages of an apprentice during the apprenticeship period, and in some instances, the employer paid portion of an OJT. See Attachment A for additional details.

The amount spent on training (both from the allocated funding and from reports of leveraged resources) will be monitored by NoRTEC via monthly expenditure reports.⁹

If a Service Provider has not spent the following percentages of the total training amount by the end of each quarter, NoRTEC will request a corrective action plan:

- September 30 – Of the total training expenditure amount identified, a corrective action plan will be requested if less than 25% has been expended by the end of the first quarter.
- December 31 – Of the total training expenditure amount identified, a corrective action plan will be requested if less than 50% has been expended by the end of the second quarter.
- March 31 – Of the total training expenditure amount identified, a corrective action plan will be requested if less than 75% has been expended by the end of the third quarter.

If the training expenditure minimums are not met, the Service Provider may face disallowed costs or other sanctions.

POLICY EXCEPTIONS

Service Providers may make exceptions to this policy only with prior written authorization from the NoRTEC Administrative Entity.

⁹ These reported monthly figures will be verified during on-site reviews of the Service Providers by NoRTEC.

MATCH FUNDS FROM EMPLOYER PAID PORTION OF AN OJT CONTRACT

The WIA OJT program was established as an incentive to employers to hire a WIA participant who has skill deficiencies for a job. The employer hires the participant knowing there are skill gaps and the employer will incur extraordinary costs to train the individual.

These extraordinary costs are documented in the OJT contract via a training plan outlining the skills needed for the job, and the participant's ability (at the time the contract begins) to perform the skills. Based upon this information, the length of the training period and the percentage of wage reimbursement are utilized to compensate the employer for the extraordinary cost of training an individual the employer would not normally hire.

In meeting the training expenditure requirements of SB 734, Service Providers may apply the portion of the participant's wages reimbursed to the employer with WIA funds as a direct training expense.

Service Providers may also apply "match funds" from the employer paid portion of an OJT contract as leveraged resources, **but these match funds must be attributable to the cost of the participant's training.** The portion of the wages remaining after WIA reimbursement may not be counted as leveraged resources.

Example A

A Service Provider negotiates and writes an OJT contract with an employer on behalf of a participant for a specified number of hours (500 hours), and the reimbursement rate to the employer is 50% of the wages paid (\$10 per hour) during the training period. The total cost of the training is \$2,500 (500 hours x \$10 x 50% = \$2,500).

In this scenario, the Service Provider provides the employer with \$2,500 of wage reimbursement, and the employer provides \$2,500 in "match funds." **The \$2,500 of wage reimbursement can be utilized as a direct training expenditure. The \$2,500 of employer match (for wages) may NOT be utilized as a leveraged resource.**

Example B

A Service Provider negotiates and writes an OJT contract with an employer on behalf of a participant for a specified number of hours (500 hours), and the reimbursement rate to the employer is 50% of the wages paid (\$10 per hour) during the training period. Additionally, the employer is requiring the individual to participate in a week long training course, the cost of which is \$500. The employer, as part of the OJT contract, agrees to cover this cost. The total cost of the training is \$3,000 (50% of the wages for the training period (\$2,500) and the cost of the class (\$500) = \$3,000).

In this scenario, the Service Provider provides the employer with \$2,500 of wage reimbursement. The employer pays the \$500 for the training course, and the \$2,500 of match funds for wages during the training period. **The \$2,500 of wage reimbursement can be utilized as a direct training expenditure. Since the total cost of training this**

participant is \$3,000, the additional \$500 spent by the employer on the training course can be applied as a leveraged resource. The \$2,500 of employer match (for wages) may NOT be utilized as a leveraged resource.

The State's directive allows employers to be paid for the extraordinary costs associated with training, additional supervision, and lower productivity of the participant. Presumably, these issues are all taken into account during the OJT contract negotiation process. Therefore, unless there is a clearly identifiable additional cost (e.g., additional training provided by the employer as noted in Example B above), the "total cost of training" will normally be calculated as the amount of the WIA reimbursed wages during the training period.

Service Providers planning to report leveraged resources associated with an OJT contract are strongly encouraged to discuss the details with NoRTEC before contract implementation.

TABLE 1 - SUMMARY OF TRAINING EXPENDITURES AND LEVERAGED RESOURCES	
1. Adult Allocation	
2. Dislocated Worker Allocation	
3. Total Allocation (Lines 1+2)	
4. Minimum Training Expenditure Requirement (26.75% of Line 3)	
5. Adult Training Expenditures	
6. Dislocated Worker Training Expenditures	
7. Total Training Expenditures (Lines 5+6)	
8. Adult Leveraged Training Resources (Detail in Table 2 below)	
9. Dislocated Worker Leveraged Training Resources (Detail in Table 3 below)	
10. Total Leveraged Training Resources (Lines 8+9)	

TABLE 2 - ADULT	
Source	Amount
a. Federal Pell Grants	
b. Public Programs Authorized by WIA	
c. Trade Adjustment Assistance	
d. DOL National Emergency Grants	
e. Match funds from employers and industry	
f. Match funds from joint labor-mgmt trusts	
g. Employment Training Panel grants	
11. Total (add lines a-g, then place amount in Line 8)	

TABLE 3 – DISLOCATED WORKER	
Source	Amount
a. Federal Pell Grants	
b. Public Programs Authorized by WIA	
c. Trade Adjustment Assistance	
d. DOL National Emergency Grants	
e. Match funds from employers and industry	
f. Match funds from joint labor-mgmt trusts	
g. Employment Training Panel grants	
12. Total (add lines a-g, then place amount in Line 9)	

FOR NORTEC USE ONLY:	
13. Total Training and Leveraged Resource Expenditures (Lines 7 + 10)	
14. Is the amount on Line 13 greater than or equal to the amount on Line 4?	
15. Is the amount on Line 10 no more than 10.7% of the total on Line 3?	