



## YOUTH STIPENDS AND INCENTIVES

### **Workforce Innovation and Opportunity Act Policies and Procedures**

**EFFECTIVE DATE:** May 31, 2024

**POLICY #:** P202 v4

#### **I. PURPOSE:**

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

#### **II. 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.

Stipend payments made to 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. Stipend payments, however, are used to recognize the time and effort spent participating in program activities.

The Workforce Innovation and Opportunity Act (WIOA) final rules specifically reference incentive payments to youth, although the WIOA final rules and WIOA operating guidance state that guidance in this area is forthcoming. The Washington State Employment Security Department (ESD) has issued WIOA policy 5621 in the interim to eliminate confusion and support comprehensive service delivery while the one-stop system awaits such guidance. The following policy addresses local requirements for providing incentive payments to WIOA Title I participants. If and when additional federal and/or state guidance is issued, the Workforce Development Council of Seattle-King County will review this policy and make revisions as appropriate.

#### **III. POLICY:**

##### **STIPENDS**

**Factors to consider in determining whether or not to use stipends include:**

Eligibility for Stipends: When an employer-employee relationship does not exist, a stipend may be used as an allowable payment for participation in activities such as occupational skills training or

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classroom activities, including high school equivalency preparation, work readiness, or employability skills training. Stipends must be necessary and reasonable in the performance of the Federal award and consistent with policies and procedures.

A Stipend is a fixed regular small payment made to an enrolled WIOA Youth participant to encourage the WIOA youth to participate in certain activities (seat/participation time payments). The stipend can be used for activities such as classroom instruction. Stipends may be paid based on actual hours of attendance, adequately documented and be accorded consistent treatment. Online classroom attendance is allowable as long as participation/seat time can be verified. Attendance in the activity must be documented as the basis of stipend payments; online attendance must also be documented.

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### **Documentation requirements:**

Eligibility: Provider will create a process to identify individuals eligible for stipends. For example, providers may develop cohorts (i.e. participation in classroom-based pre-apprenticeship and apprenticeship skills training) where participants in the cohort are eligible and document in case notes the participation in allowable activity. The process must be submitted to the WDC Project Manager.

Documentation may be but is not limited to; sign-in sheet, timesheet, credential, proof of training participation, case management notes, and invoices, that show participation in specific activities. Records of the stipend received should be maintained in the participant's individual file. Classroom/ Instruction documentation may include but not limited to, date, time, activity name, student's and instructor signature.

Youth service providers must document stipend payments to youth by recording in case notes and document in participant's ETO file. Documentation should include the Qualified Youth Activities List, along with the total amount paid for the activity.

### **Internal Controls and Safeguards:**

Funding for Stipend and Incentives is contingent based on contracted budgets. An inventory log, periodic reconciliation process, and safeguards for the receipt, disbursement, and maintenance should be maintained for stipend transactions.

Note: Understanding the difference between wages and stipends and correctly classifying payments is critical since the misidentification of the payment could result in disallowed costs. Important for providers is: (1) understanding the distinctions between wages and stipends; and application for awarding incentives; and (2) adhering to the requirement to establish a policy for the award of stipends, wages, and incentives.

### **Qualified Youth Activities and Payments:**

Stipends will be paid \$20.00/hour (minimum of 1 hour) for satisfactory attendance and participation in any combination of the following qualifying activities in education, skill development, or training:

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<b>High School Diploma, GED, or Equivalent/ Post-Secondary Preparation</b>	
Secondary school services or dropout recovery services	Up to 40 hours
Post-secondary preparation and transition activities	Up to 40 hours
Participation in job-shadowing or unpaid internship in an occupation designated on the Objective Assessment and/or ISS	Up to 40 hours
<b>Employability Skills/ Job Readiness Training/ Leadership/ Counseling</b>	
Employability Skills/ Job Readiness Training	Up to 40 hours
Leadership development opportunities	Up to 40 hours
Adult mentoring	Up to 40 hours

**Reasonable Cost and Stipend Limitations:**

- Stipends payments may **not** exceed 20 paid hours per week
- Stipends payments may **not** exceed the duration of the related activity in the WS Service Catalog
- Stipends payments may **not** exceed the maximum hours per activity as noted above.

Stipend payments that equal \$600 or more per calendar year are considered taxable income and the subrecipient must provide a 1099 tax form to the participant by January 31 for the prior calendar year. Total dollar amount received by any one participant will not exceed \$5,000 during a single participation period. Stipends should be processed as accounts payable rather than as payroll.

No additional stipends can be provided.

Before provider organizations utilize stipends, the WDC will perform an initial assessment on how much total dollars will be allocated (will not exceed 10% of total award) and budgeted to the stipends item in their contract and review in partnership with the provider how it relates to performance under the grant.

**INCENTIVES**

Incentive payments to WIOA Title I youth participants are permitted for recognition and achievement milestones directly tied to training or education activities and work experiences. Service providers must ensure that the incentive payments are:

- a) Awarded in recognition and achievement directly tied to youth program elements, which can include training activities, work experiences.
- b) Tied to the goals of the WIOA Title I youth program,
- c) Outlined in a written, local policy prior to the start date of training programs or work experiences that might provide incentive payments,
- d) Aligned with other WIOA Title I youth program policies, and
- e) Provided in accordance with the requirements and cost principles in 20 CFR part 200.

Incentive payments must be in compliance with the Cost Principles in 2 CFR part 200 and as such incentive payments cannot be spent on entertainment costs, such as movie or sporting event tickets, gift cards to movie theaters, or other venues whose sole purpose is entertainment. Additionally, internal controls must be established to safeguard any cash or other forms of payments used to award incentive payments, such as gift cards or gift certificates.

Per 20 CFR 681.640 and TEGL 21-16, incentive payments with WIOA funds must be connected to recognition of achievement of milestones in the program tied to work experience, education, or training. Such incentives for achievement could include improvements marked by acquisition of a credential or other successful outcomes.

Incentives may not be used for recruitment purposes or returning eligibility documentation to the case manager. Providers are responsible for maintaining equitable distribution of incentives based on the outlined milestones achieved while participating in the WIOA youth program. Providers will be required to follow the fixed amounts below. However, the following is not an exhaustive list of allowable incentive achievements. If providers want to expand beyond the categories below, they will utilize the exception request form to propose other allowable milestones.

Tier I	Skills Acquisition	\$100
Tier II	Completion/ Credentials	\$250

	Milestone:	Amount:
1	Passing Individual GED test	\$100
2	Completion of GED Credential or High School Diploma	\$250
3	Earned an industry-recognized credential	\$250
4	Earned basic certificate (CPR, First Aid, etc..)	\$100
5	Completed quarter of post-secondary education	\$250
6	Obtained unsubsidized employment	\$250
7	Retention in unsubsidized employment (at least 3 months)	\$250
8	Completed successful work experience (WEX)	\$250
9	<a href="#">Measurable Skills Gain (see link for types of MSG and definitions)</a>	\$100
10	Tutoring and Study Skills	\$100
11	EFL Gains and Achievement of Basic Skills Improvement	\$100
12	Credit Recovery	\$100
13	Post-secondary preparation and transition activities	\$100
14	Post-secondary persistence and success	\$250
15	Financial literacy education	\$100
16	Entrepreneurial skills training	\$100

#### IV. DOCUMENTATION AND JUSTIFICATION:

- a) Full WIOA registration – A full WIOA Title I eligibility determination and enrollment into a WIOA Title I youth program is required to receive an incentive payment. Additionally, incentive payments may only be awarded for recognition of success in an educational program or work experience.
- b) Data entry requirements – information regarding the incentive payment must be entered into ETO as follows:
  - Incentive payments are not services but, rather, financial transactions. Youth service providers must document incentive payments to youth by recording in case notes and

document in participant files. Documentation should include the youth program element from Attachment A of ESD Policy 5621 and milestone, including attainment and retention of unsubsidized employment, achieved along with the incentive amount paid for the achievement.

- Expenditure records of incentive payments must be stored locally and uploaded into ETO.
- Service Providers must obtain documentation of achievement prior to dispensing the incentive to the youth participant. Documentation could include a copy of the GED, High School Diploma, a recognized credential, quarter grade print out, pay stubs, timesheets, or supervisor letter to document attendance. All documentation including signed supportive service/incentive form must be kept in participant file and uploaded to ETO.

## REFERENCES:

- TEGL 21-16 - Third Workforce Innovation and Opportunity Act (WIOA) Title I Youth Formula Program Guidance
  - 20 CFR part 200 - Cost principles and allowable activities funded under WIOA Title I
  - 20 CFR 681.640
  - Washington Employment Security Department Policy 5621 Revision 4 - Incentive Payments to WIOA Title I Participants
  - 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
  - Youth Connections – [Forms of Payments for WIOA Youth Program Participants](#)
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