INCENTIVE PAYMENTS

Policy Number: 217 Revision 2 Attachment 9
Effective Date: July 1, 2020
Date Last Revised: July 1, 2023

I. BACKGROUND

There has been some uncertainty regarding the use of incentives for participants in WIOA Title I Programs. Although there is a 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 to Adults and Dislocated Workers.

Although the WIOA Final Rules and WIOA Operating Guidance state that direction 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 a policy to eliminate confusion and support comprehensive service delivery. When federal guidance is issued, ESD will review the state policy and make necessary and appropriate revisions.

II. POLICY

A. Incentive Payments to Youth. Prior state approval is **not** required for incentive payments to Youth as long as the criteria below are satisfied.

Incentive payments to WIOA Title I Youth participants are permitted for recognition and achievement of milestones tied to work experiences, education, and training. The allowable WIOA Title I Youth Program Elements to which incentives may be tied can be found in the table below. This includes Youth engaged in Youth Program Elements through activities funded by Title I Statewide Activities (**Governor's Reserve**) funds.

Contractors must ensure that the incentive payments are:

1. Tied to the goals of the WIOA Title I Youth Program.
2. Outlined in a written local policy before the start date of programs that might provide incentive payments.
3. Aligned with SCW's Administrative Policies.
4. Provided with the requirements and cost principles referenced in 2 CFR Part 200.
5. Tied to Youth Program Elements resulting from participation in one or more of the program elements.

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 is 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	
	Support 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

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 the Contractor's local policy as they relate to the 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 referenced as **discretionary funds** will be outlined by the SCW in the contracts' Special Terms and Conditions.

Incentive payments must comply 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 payment used to award incentive payments, such as gift cards or gift certificates.

Incentive payments with WIOA Title I funds for Youth participants shall be provided on a case-by-case basis and may include, but are not limited to:

1. Attaining a credential, including a high school diploma or equivalent

2. Progress or Completion of a work experience or training services, including the obtainment of job-specific skills as specified in the training plan, or specific training or work experience attendance or task completion as documented on the Individual Participant Plan (IPP) or Work Experience WEX) contracts
3. Attainment of unsubsidized employment and/or employment retention resulting from one or more Youth Program Elements listed as "Yes" in the above table
4. Positive Measurable Skills Gain (MSG) related to a Youth Program Element listed as "Yes" in the above table

Incentive payments are not services but, rather, financial transactions. Contractors must document incentive payments to Youth by recording in case notes and participant files:

- The Youth Program Element and milestone achieved
- The incentive amount paid for the achievement

Contractors must also internally maintain appropriate and identifiable incentive payment expenditure records for local, state, and federal monitoring and audits.

**B. Incentive payments for WIOA Title I Adults and Dislocated Workers. ****This may also include any funds for which program funding allows incentive payments, such as the Governor's discretionary funds.

The U.S. Department of Labor (DOL) has determined that incentive payments are participant support costs as defined in 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 from DOL. Per 20 CFR 683.200(b)(2), DOL delegates approval authority to the Governor for participant support costs provided with funds allotted under WIOA Section 132 (Adults and Dislocated Workers). The SCW and Contractors must therefore receive written prior approval from the State before offering incentive payments to WIOA Title I Adult and Dislocated Worker participants.

Procedurally, Contractors that want to provide incentive payments to WIOA Title I Adult and Dislocated Worker participants must request and receive approval before expending any program year (July 1 to June 30) allotment of WIOA Title I Formula Grant Funds on such payments.

Initial requests must include the following:

- Contractors' local Incentive Payment Policy for the Adult and Dislocated worker programs;
- An explanation of the business case for incentive payments (i.e., why such payments are important to the success of the participants and the grant); and
- A description of the circumstances under which the Contractors anticipate the need to provide incentive payments to participants.

Subsequent program year requests. If there are no changes to the Contractors' policy, business case, and circumstances, Contractors will email a completed Attachment 9a Request for Approval, Incentive Payments to WIOA Title I Adult or Dislocated Worker Participants to the SCW. This must be done prior to June 15 of the current program year by checking the box that indicates there are no changes to the Contractor's incentive policy, business case, or circumstances.

If there are changes to the Contractors' incentive policy, business case, or circumstances, Contractors must treat such policies like new or initial requests. Check the appropriate box on Attachment 9a and send the SCW the same information required for initial requests (see above).

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

The total amount of incentive payments to WIOA Title I Adult and Dislocated participants in any single program year (July 1 to June 30) may not exceed the limits, if any, cited in the Contractor's local policy. They cannot be set arbitrarily.

Example:
Incentive payments to WIOA Title I Adult and Dislocated Worker participants, including activities funded by Title I Statewide Activities (**Governor's Reserve**) Funds, are limited to achievement milestones directly tied to:

- Work Experience

Or the following WIOA-recognized training services:

- Occupational Skills Training
- Registered apprenticeship
- On-the-job training
- Increased capacity training
- Customized training
- Entrepreneurial training

This does **not** include:

- Adult Basic Education as that is not considered a WIOA-recognized training
- Attainment and retention of unsubsidized employment for Adults and Dislocated Workers who complete work experience or training services.

In state Policy 5621, Revision 5, 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, the Contractor may have difficulty retaining apprentices in training because trainees are lured away by employers offering jobs that don't require journey-level skills and incentive payments could encourage apprentices to complete the program. Contractors may incentivize completion of the registered apprenticeship program.

Incentive amounts 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 minimum 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 a programmatic necessity and a rationale for the documented incentive amount.

Incentive payments must comply 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 payment used to award incentive payments, such as gift cards or gift certificates.

Incentive payments with WIOA Title I funds for Adult and Dislocated Worker participants shall be provided on a case-by-case basis and may include but are not limited to:

1. Attaining a credential, **not** including a high school diploma or equivalent
2. Progress or Completion of a work experience or training services including obtainment of job-specific skills as specified in the training plan, or specific training or work experience attendance or task completion as documented on the IPP or work experience contracts,
3. Positive Measurable Skills Gain as defined in Administrative Bulletin 221 Performance Indicators (**only for training activities listed above**).

Incentive payments are not services but, rather, financial transactions. Contractors must document incentive payments to Adult and Dislocated Workers by recording in case notes and in the "Notes" field section of the related service touchpoint entered in the statewide database:

- The work experience or training milestone achieved
- The incentive amount paid for the achievement

Contractors must also internally maintain appropriate and identifiable incentive payment expenditure records for local, state, and federal monitoring and audits.

Non-WIOA Funded Incentives
Contractors are eligible to provide incentives for non-WIOA-funded programs and must follow all aspects of this policy when issuing non-WIOA-funded incentives.

Action Required
Providers of WIOA Title I services must have policies and procedures in place that govern the award of incentive payments to WIOA Title I participants according to the requirements of this policy. The policies and procedures must be approved by the SCW before implementation.

ATTACHMENTS

- Attachment 9a: Request for Approval of Incentive Payments to WIOA Title I Adult or Dislocated Worker Participants
- Attachment 9b: Request for Approval of Incentive Payments to WIOA Title I Adult or

Dislocated Worker Participants – SCW Action

REFERENCES

- 20 CFR § 681.640
- 20 CFR § 683.200(b)(2)
- TEGL 19-16
- TEGL 21-16, Change 1
- WorkSource System Policy 5621, Revision 5 – Incentive Payments to WIOA Title I Participants