**WorkforceGPS**

**Transcript of Webinar**

**WIOA Infrastructure, Part II:**

 **Comparing the Local and State Infrastructure Funding Mechanisms**

**Wednesday, June 7, 2017**

*Transcript by*

*Noble Transcription Services*

*Murrieta, CA*

JON VEHLOW: Hello and welcome to today's webinar. My name is Jon Vehlow and I'm here if you need anything, technically speaking. Hopefully you won't need to hear too much from me, but if you do have any technical questions, please let us know in that chat window on the bottom left-hand side of your screen. That chat window is also where we'd like you to introduce yourself now. So please go ahead and type into that chat your name, the name of your organization, where you're located in the country, how many are joining you today and if you're attending in a group.

That chat window is also where we're going to invite you to type in your questions and comments at any point throughout today's webinar. You'll also notice that we have a copy of today's presentation in the file share. You can download it any time throughout today's webinar as well as a link to a sample MOU toolkit. A transcript and recording of today's webinar will be made available on WorkforceGPS in about two business days.

Welcome to today's "WIOA Wednesday, Memorandum of Understanding MOU Part II: Local Versus State Funding Mechanisms."

I'd like to turn things over to our moderator today, Craig McManus, financial management analyst, U.S. Department of Education Rehabilitation Services Administration. Craig?

CRAIG MCMANUS: Thank you, Jon, and I want to thank all the participants who spent time out of their busy schedules to listen to our webinar today.

I also want to introduce my fellow colleagues from the U.S. Departments of Labor and Education who are available to help present this material today and answer questions as we receive them at the end of the presentation.

First off, I'd like to introduce you to Jay LeMaster, an education program supervisor in the Office of Career, Technical and Adult Education in the U.S. Department of Education. And we also have three colleagues from the Employment and Training Administration in the Department of Labor, including Jacqui Shoholm, a senior regulatory analyst, Chanel Castaneda, a grant management specialist and Christopher Mayo, a regulatory policy analyst.

We have a fairly ambitious agenda today and we'll be covering many areas related to the local and state funding mechanisms. Jacqui will be handling the sample MOU and infrastructure costs toolkit many of you have heard about perhaps over the last few months.

She'll be handling the infrastructure funding requirements and the basic elements of the local funding mechanism. After that, Chanel Castaneda will be handling a look at a sample Infrastructure Funding Agreement or IFA as well as a hypothetical infrastructure funding negotiation. After that, Christopher Mayo will be handling a comparison of the state funding mechanism to the local funding mechanism as well as the steps of implementing the state funding mechanism.

And lastly, I will handle a hypothetical application of the state funding mechanism, including a calculation of individual partner program caps. So at this point and time, I'd like to turn it over to Jacqui Shoholm to discuss the sample MOU and infrastructure costs toolkit, the infrastructure funding requirements and the basic local funding mechanism requirements. Jacqui?

JACQUI SHOHOLM: Thank you very much, Craig and welcome, everyone. We want to begin by being sure that everyone is focused on the correct sections of the WIOA statute and regulations. The provisions for operating One-Stop centers are located in WIOA Section 121 and also in the WIOA Joint Final Rule, 20 CFR Part 678. The regulatory sections specific to MOUs and infrastructure costs are 678.700 to 678.755. In addition, all recipients of federal funding are subject to the OMB uniform guidance, which is 2 CFR Part 200 and Part 2900, which are the uniform administrative requirements, cost principles and audit requirements and the approved exceptions for DOL.

The departments have worked closely over the last couple of months to provide implementation technical assistance to the workforce delivery system and this slide lists some of the things that have already been provided to the system, including joint guidance that was developed collaboratively and released by each federal agency using their own mechanisms for communicating with their grantees. And that's the first bullet. We've also issued FAQs and we have done many of these WIOA Wednesday webinars, which are archived on the ION website.

Today's webinar is the second on MOUs focusing on the infrastructure funding agreement. And finally, we created a sample MOU and infrastructure costs toolkit, which is loaded up on your file share. We've also posted a number of FAQs relative to the topic, our agency websites and have reached out to systems – I'm sorry, back to the sample; sorry, I got mixed up. The sample is very comprehensive even providing example spreadsheets that give examples of some of the possible basis for calculating partner costs.

We discovered that the spreadsheets are not uploaded with with what's on your file share, but we will get those uploaded very shortly. There is a PDF copy of the remainder of the sample MOU. And this is just a copy of the front page of the sample MOU so you know what you're looking for on the ION website. As reflected on this slide, which is of the table of contents for that toolkit. The outline is quite comprehensive. This Part II webinar will be focusing on the sections between the two arrows on the partners, the budget, the potential cost allocation methodologies, reconciliations of the methodologies or the costs being charged, steps to reach consensus, how to resolve impasse and how to modify the MOU.

This slide gives an example of the One-Stop initial budget in the hypothetical local areas, which we created. It has three counties, County A, which is a comprehensive One-Stop center and Counties B and C, which are affiliate One-Stop centers and it also shows the type of cost categories that there may be in these hypothetical centers with costs split among the cost categories. There will be much more cost categories later in this webinar. The next several slides identify the intent of WIOA with respect to the operation of the One-Stop centers.

We'll review key terms that are important to the allocation of infrastructure costs and also One-Stop partner roles will be identified as well as cost principles related to One-Stop partner infrastructure contribution. WIOA required partners must dedicate a portion of their individual funding streams to the allowable infrastructure and additional costs of operating the One-Stop system in a local area. These costs must be allocable to the partner in direct proportion to the partner's use and relative benefit received from the One-Stop system.

And we'll be going into that more as we go along. Some terms to remember when negotiating and allocating infrastructure costs, it's important to remember that these costs are the non-personnel costs necessary for the general operation of the One-Stop center. Non-personnel costs can be categorized as costs that are not compensation for personnel services. However, costs for services contracted out to vendors, such as maintenance and janitorial contracts, snow removal, equipment upkeep, etc. are considered non-personnel costs.

Direct One-Stop partner staff costs are personnel costs, which are not categorized as infrastructure, but are considered additional costs to operate the center. This might include reception personnel or staff assisting in the resource room and partner staff costs. A couple more terms, require partners are those entities listed in the regulations at 678.400 and include about 19 various workforce system related programs across all of DOL Title I programs and in addition to education programs of Titles II and IV and also Wagner-Peyser programs of Title III.

Additional partners could be any provider in the local area that chooses to participate in the provision of activities in the One-Stop system for that area. For example, the local chapter of the Urban League or Addressed for Success Program might be examples of additional partners. Required WIOA partners have specific roles that – (inaudible) – the WIOA statute and regulations. They must provide access to their individual program services through the system, they must enter into an MOU with the local workforce development board and the – this MOU includes an infrastructure funding agreement and they must financial contribute to the operation of the delivery system.

Partner contributions can be in the form of both infrastructure costs and additional costs, which we will be clarifying in a moment. Partner contributions must include career services and may include shared operating cost and other shared services and they must adhere to the federal cost principles requiring them to be reasonable, necessary and allocable. Now we're going to look – we're going to turn our attention to the local funding mechanism, which is one of two methods of determining the term of an Infrastructure Funding Agreement or what we'll be referring to as an IFA.

Joint regulations at 20 CFR 678.715(a) state that in the local funding mechanism, the local workforce development board, chief elected officials and One-Stop partners agree to amounts and methods of calculating amounts each partner will contribute for One-Stop infrastructure funding, including the funding terms in the MOU and sign the MOU. The other possible funding agreement is the state funding mechanism and the local funding mechanism provides the One-Stop partners with the greatest flexibility in funding their infrastructure costs and designing the services that meet their local needs.

The state funding mechanism is the fallback position. If local partners cannot come to agreement, it results in further complex calculations, additional steps or in a scenario that local areas would not want to experience, perhaps and that is the reduction of infrastructure funding availability that may result in limited services at the One-Stop center. More information, including the limitation of caps within the state funding mechanism will be discussed in the next section.

We can't overstress that the local funding mechanism provides One-Stop partners, local boards and the chief elected official the greatest degree of control and autonomy over determining local One-Stop budgets and calculating infrastructure cost contributions. Consensus is required. Local required partners must come to a consensus on the infrastructure budget, the cost allocation methodology used and the proportionate partner contributions.

Consensus simply means all partners must agree. If even one required partner is not in agreement with the infrastructure budget and partner contributions, the local area has not reached consensus and the local area must notify the governor to that effect. The states will be establishing, if they haven't already, a date by which that notification must happen and if agreement is not reached at that point, the state funding mechanism is triggered. We will discuss the state funding mechanism in further detail in just a minute.

Finally, what is an IFA? IFA stands for Infrastructure Funding Agreement. It replaces the previously used Resource Sharing Agreements that were long a part of WIA and is a part of the MOU of each local area. It is possible that not all costs previously included in a Resource Sharing Agreement will qualify as infrastructure costs and may be more appropriately categorized as additional costs.

It's important to understand that infrastructure costs included in the IFA are limited to those costs identified in the joint rule at 20 CFR 678.700(a), including such things as facility rental, utilities and maintenance, equipment technology for individuals with disabilities, technologies to facilitate access to the One-Stop center, including planning and outreach and common identifier costs, which can also be included in infrastructure costs and any other non-personnel costs. An IFA may change over the course of the partnership through a process called reconciliation.

It may also change due to an appeal by one partner and this could require a modification to the MOU IFA. The IFA describes a reasonable cost allocation methodology and an agreed upon budget where the infrastructure costs are charged to each partner. Now we'd like to turn to a polling question. The question is all partner contributions to the cost of operating and providing services within the One-Stop center must meet the following requirement, except be proportionate to the relative benefit received, be made in cash only, adhere to the partner programs federal authorizing statute or follow the federal cost principles requiring that the costs are reasonable, necessary and allocable.

Which one of these four items is the exception? And it would appear that the majority of respondents are answering correctly, that the contributions can be made only in cash. That is not true and we hope by the end of the webinar that will become exceedingly apparent. OK. The next section is on the local funding agreement and I'd like to turn it over to my colleague, Chanel Castaneda.

CHANEL CASTANEDA: Thank you, Jacqui. Good afternoon, everyone. Like Jacqui said, my name is Chanel Castaneda. I am from the Department of Labor, employment and training administration in the national office. For this portion of the presentation, I will walk through a brief local area negotiation related to allocating a common One-Stop center cost, rent, by using two cost allocation methodologies. We understand that this example is a simplified version of what the local area negotiations will be like.

This example is only meant to show that there can be multiple methodologies to use to allocate infrastructure costs through the local funding mechanism. Just also note that this exercise is not an exercise on cost allocation and you could actually refer to our collections page on the WorkforceGPS in the grants application and managements collection page. We actually have a series of cost allocation trainings that are contained there. So if you would like to have a refresher or review on how to allocate costs appropriately, you can look at the WorkforceGPS page under collection page for the grants application and management for our resources on cash allocation trainings.

So here are just a couple of examples that we have. So how many people think that rental costs could be allocated by customers served in the One-Stop center? If we just look at partner number one, you could see that based on this allocation methodology, partner one is responsible for 40 percent of the rental costs if we just use consumers served as an allocation basis. If we keep focusing on partner number one for the next couple of examples, you will notice that the rental cost allocations will change based on what cost allocation is used.

So in the next example, we are using Full Time Equivalent, or FTE staff, to allocate rental costs. You'll notice that partner one – looking at partner one is responsible for only 15.4 percent of the rental cost based on FTE. And finally, let's look at the last example and how that changes for partner one. And in this example, rental cost is allocated based on square footage and you'll notice that partner one is responsible for only 20 percent of the rental costs. Note as we move through the different allocation methodologies that partners may experience significant increases or decreases of the allocable present – excuse me, of the allocable percentages of rental costs.

For example, partner one's percentages ranged from 15.4 percent to 40 percent, depending upon the allocation basis used. All these examples of different allocation basis are acceptable as long as it demonstrates proportionate use and relative benefit received. While there is no – while there is not necessarily going to be a single correct or universal allocation basis to allocate cost categories, the purpose of the infrastructure cost negotiations is to find the best allocation basis that reflects the relative benefits received by the partner programs.

So here we have for – as a setup to our example. We're going to look at how the local funding mechanism is used when we're going to allocate rent. Here we have a One-Stop center for layout in this hypothetical situation. You'll notice that the total space that is leased is 1,500 square feet. Using this example the 4 partners directly occupy 500 square feet of space as is seen by the colored boxes and there is 1,000 square feet of common space. And the partners decide that all common and direct space may be allocated using square footage, except for the resource room.

The partners all agree to allocate the resource room based not upon square footage, but upon the proportion of partner customers served in that room. Here is, again, some more information on our example. This slide provides more information about the partners, which was used in determining the allocation basis to implement. This information demonstrates the amount of square footage each partner occupies, the breakdown of common space size and the customers served by each partner program.

As you can see, the direct square footage of partner space is 500 square feet and the common space in square footage is 1,000 square feet, which also includes a resource room of 225 square feet. Remember, the direct square footage of 500 square feet will be allocated based on square footage as well as the common space, except the resource room will be also allocated based on square footage. The partners agree that the resource room would be allocated based on consumers served. So we're going to actually use the numbers. We're going to use the total lease cost in the sample MOU and infrastructure costs toolkit that Jacqui referenced earlier.

And in the toolkit, the rental cost amounted to $225,820. The amount of costs identified in the top row identifies 85 percent of the cost, which will be allocated based on square footage. Direct square footage of partner programs is 500 square feet and common space is 775 square feet, excluding the resource room. The common space of 775 square feet will be allocated based on each partner's portion of direct square footage that they occupy in the One-Stop center. And remember, the remaining cost, which is the resource room represents 15 percent of costs, which will be allocated based on consumer or customer counts.

In this example, all direct square space and common space, except for the resource room is allocated using square footage, which represents proportionate use and relative benefits received in this example. The resource room space will be allocated by customer counts, which is the allocation base that most reasonably represents proportionate use and relative benefits received by partners for that space. This slide demonstrates the calculation of lease costs to be allocated using square footage.

We determined that the percentage of cost by dividing the direct space and total common space less the resource room by the total space to reach the 85 percent. We then multiplied that percentage by total lease cost to determine the amount of costs that were allocated by square footage. This amount is $191,947. This table represents the far – the four partner contributions for the 85 percent of rental costs allocated based upon square footage. The determination was made that the partners will utilize common space, again, less the resource room, relatively equally and this will be based on the proportion of direct space they occupy as a percentage of the whole.

So once again, using partner one as a partner that we will focus on this partner's direct square footage is 100 square feet of the 500 direct square footage that is occupied by all the partners' offices. 100 square feet divided by 500 square feet amounts to 20 percent of square footage, 20 percent of $191,947 is calculated to $38,389. This will not necessarily be the case in all One-Stop centers and we encourage local area partners to utilize allocation bases that reflect relative benefits received by the partners.

So this step – the next step will allocate the remaining 15 percent of the space, which is representative of the resource room's lease cost. You will note that the allocation basis that the partner programs agree to use in order to allocate the resource room was consumer counts, because in this instance, the percentage of direct space that the partners occupy was not representative of the proportionate use of the resource room and that allocating costs on the basis would not reflect the relative benefit received.

So in some instances, some local areas may have, at their resource room, if they decide to use consumer count – you know, they may use any form of mechanism in order to account for the use of the resource room when by consumer count. So it could be as simple as having a – the computer or a laptop that's located in the resource room and each participant or anyone that's using the resource room could log which program they're associated with in order to account for the use of the resource room.

Instead partner consumer count percentage was selected as a better basis to demonstrate the uses of the resource room. So the next slide demonstrates the calculation of the percentage of the resource room lease cost and applies this to the total lease cost to get the amount of the resource room cost to be allocated using consumer count. The resource room uses 15 percent of the total square footage or 225 square feet out of the 1,500 square feet. So we take 15 percent of the total lease cost, $225,820 and we get $33,873 of lease cost that'll be allocated based on consumer count.

Well, another way to get to it is $225,820 in lease cost less the cost that is to be allocated based on square footage, which will also get us to the $33,873. Here based on whatever mechanism that the partners use in order to count consumer counts, this table shows each of the individual partner's consumer counts of the – using the resource room and we calculate each partner's percentage of total consumer counts and apply these percentages to the resource room's lease cost of $33,873 to reach each partner's allocable portion of the resource room's lease cost.

Once again, let's focus on partner number one and based on the consumer count of 400 people, meaning in a given time, 400 individuals who are associated with this partner program had used the room, calculating that out that would be 40 percent of the total consumer count using the resource room and that partner one will be responsible for $13,549 of the cost for the resource room. So this slide just takes each partner's allocable portions of the One-Stop lease cost allocated by square footage and adds them to the partner's allocable portion of lease cost allocated by consumer count, which results in each partner's total lease contribution.

In this example of a local negotiation for rental cost, 85 percent of rental costs are allocated by square footage, including all direct partners' occupied space and common space, except for the remaining 15 percent representing the resource room's cost. The partner programs had agreed that the resource room would be allocated based on a different methodology, consumer count. Together 100 percent of the rental costs are allocated in this example and reflects proportionate use in relative benefits received.

So we're going to have – so let's do another knowledge check question before I turn it over to Chris. What is not a benefit of using the LFM or the Local Funding Mechanisms? One, One-Stop partner programs determine what funds they will use to pay for infrastructure costs, two, there are no specific caps on the amount or percentage of funding a partner may contribute, except any administrative thresholds, three, the governor assists in determining each partner's contribution or four, partners determine how infrastructure contributions will be calculated.

If you could select the answer that best reflects you and your group's answers in the box, we'll take a minute and we'll see – OK. It looks like the majority of the answers is correct and that is correct, the answer is number three, the governor assisting in determining each partner's contribution is an aspect of the state funding mechanism. The rest of the answers are benefits of using the LFM. So speaking of the state funding mechanism, I'll now turn it over to Chris Mayo who will talk about the state funding mechanism.

CHRIS MAYO: Thanks, Chanel. Now we'll be turning to – our attention to the state funding mechanism. Joint regulations at 20 CFR 678.730(b) indicate that in the state funding mechanism, the governor, subject to limitations in Paragraph C, determines One-Stop partner contributions after consultation with the chief elected officials, local workforce development boards and the state workforce development boards. So some details around the state funding mechanism. The governors determine – these are just important points to remember that the governor determines required One-Stop partner contributions in accordance with 20 CFR 678.730 through .738 and the governor's determinations or the required One-Stop partner contributions is subject to the funding caps outlined in 20 CFR 678.738(c).

So now we're going to cover the steps of implementing the state funding mechanism. This is how the governor determines partner infrastructure contributions using eight steps. Step number one, notice of no consensus is given to the governor. If no consensus can be reached among the local workforce development board, One-Stop partners and a chief elected official or officials, the local workforce development board must notify the governor of the failure to reach consensus triggering the state funding mechanism. Notice must be given by a date set by the governor and outlined in the governor's guidance provided to local workforce development boards.

Step two, local negotiation materials to the governor. In step two, the local workforce development board must provide the governor with all materials that were generated during the local negotiation process. These can include, but are not limited to the local WIOA plan, any proposed cost allocation methodologies, any proposed or agreed to infrastructure budgets, type of funds available, any proposed contribution amounts for partners and any agreed upon proposed or draft IFAs, but it can include any documents that were generated during the local negotiation process.

Step three, governor determines the infrastructure budget. The governor can either accept an infrastructure budget that was agreed upon at the local level or use a formula developed by the state workforce development board to create a working infrastructure budget. The formula requires taking into account several factors, the number of One-Stop centers in a local area, the total population served, services provided at each center and any factors relating to the operation of One-Stop centers that the state workforce development board determines to be appropriate.

It's important to remember that while the governor should take into account the overall One-Stop operating budget, the governor only has the power to determine the infrastructure budget under the state funding mechanism. This means that the governor will not be determining the partner contributions related to additional costs, including career services, shared operating costs and shared services. Step four, the governor establishes cost allocation methodology. The governor must follow the principles of proportionate use and relative benefit received just as the – as must be followed in determining the methodology in the local funding mechanism.

This must be consistent with the uniform guidance, relevant regulations and statutes and any further regulatory guidance and the partners authorizing laws and regulations. Beyond these requirements, the governor is free to choose any variable that is reasonable. Step five, governor determines partner's proportionate share. For each partner, the governor must take into account the partner's cost of administration of the One-Stop delivery system not specifically related to a One-Stop center, statutory requirements for the partner, the partner's ability to fulfill its statutory requirements and all other applicable WIOA requirements.

The governor is encouraged to draw upon any proportionate shared determinations as well as other documents and information made during the local negotiations that the governors feels are useful. In some instances, the governor does not determine every partner's contribution amounts. Where policy making authority is placed in an entity or official that is independent from the governor with respect to funds provided for the AEFLA program, applicable Perkins programs or the VR program that official or the chief officer of that entity shall make the decision in consultation with the governor.

Step six, governor calculates statewide caps. The governor must calculate statewide caps to determining the maximum amounts that required partners could be required to contribute towards infrastructure costs. There are no statewide caps for additional partners, because the SFM does not apply to them. The caps only restrict those partners in local areas which could not reach consensus in the LFM negotiations. If more than one local area in a state falls under the SFM, it is the aggregate of the infrastructure cost contributions for each required partner in these local areas that is restricted by the caps.

Step seven, governor assess aggregate total of contributions. The governor must insure that the aggregate of applicable partner's infrastructure contributions do not exceed the statewide caps. Exceeding the statewide caps. If the aggregate total exceeds the applicable cap, the governor may either ask the One-Stop partner programs responsible for pushing the aggregate total above the cap if they are willing to contribute beyond the applicable cap in accordance with their proportionate share, allow the reentering of the negotiations at the LFM level or allow for the reduction of infrastructure costs at the local level to reflect the amount of funds available without exceeding the applicable cap.

Step eight, governor adjusts proportionate share, if necessary. If the local WBD, CEOs and the required One-Stop partners fail to reach agreement on how to address exceeding the cap, the governor must make adjustments to specific local partner's proportionate share and thus the services provided in accordance with the amount available under the cap. The aggregate total contribution of a program's local partners under the SFM must not exceed the cap amount. We're going to do another knowledge poll now.

The question is under the state funding mechanism, if the aggregate total exceeds the applicable cap, the governor may do the following. One, dictate that additional partners make up the difference in funding. Two, require the partner programs responsible for pushing the aggregate total above the cap to contribute beyond the applicable cap. Three, allow the required partner programs to reenter into negotiations at the LFM level or four, disregard proportionate use and require all partner programs to contribute additional funds and resources.

So I'll give you all another minute to enter your answers. All right. So it looks like the majority of you have gotten this correct. The correct answer is number three, the governor can allow the required partner programs to reenter into negotiations at the local funding mechanism level. Now I'm going to turn it back over to Craig McManus who's going to finish up the presentation and talk about, among other things, the calculation of the state funding mechanism caps.

MR. MCMANUS: Thanks, Chris. And as Chris mentioned, this portion of our presentation will both identify the five steps for calculating the state funding mechanism caps and also walk through a – simultaneously walk through a simulated state funding mechanism calculation by hypothetical governor in our situation here to compare how the partner programs limiting percentages and infrastructure caps may impact the local area partner infrastructure funding contributions. Before I get into the details of this, I'm going to jump ahead one slide to address some important terms that will be important while we go through this process.

Bear with me as I move this slide along. OK. So here are some terms that will be helpful as we go through the process, the first of which is the limiting percentage and this is the statutory percentages that are listed in the statute in WIOA Section 121(h)(2)(d) that are applied to the total federal funds that are received by specific partner programs in order to calculate the cap. Now, the term Maximum Potential Cap, or MPC, is the maximum amount that a program cap could be and it would only be applicable if every single local area within a state were to fall under the state funding mechanism.

The third term is determining factor. This is a factor used by the governor to reasonably indicate the use of One-Stop centers throughout the state. And then we have the consensus area factor percentage. This is the percentage of the determining factor that can be attributed to the local areas that were successful in reaching consensus with their local negotiations. Now, as I attempt to move back to slide Number 51, and I may need some assistance with that, this provides a little bit more information or data related to the scenario and this, again, is using some of the information that was utilized in the local funding mechanism example that Chanel went through a little bit earlier.

So within our state, there are three local areas. Two of the local areas reached agreement on the infrastructure costs in their local area and one local area did not reach consensus and notified the governor. The one local area is going to be the one that we utilized earlier in our presentation and it's also linked to County A of the state funding – or of the sample MOU information. The four partners from that local funding mechanism will be utilized and as is under the governor's purview, the governors chosen to use the rental cost budget that the local area developed of $225,820.

Now, the determining factors selected by the governor was population and it was determined that 70 percent of the state's population resides in local areas that were successful in their local negotiations and reached consensus. This is known as that consensus areas factors percentage. Now, moving ahead to Slide 53 this is Step 1, the governor applies a partner's individual applicable limiting percentage to the total federal funding which that program receives for the affected program year to reach the maximum potential cap.

Now, some programs will use current year funding and other programs will use previous year's funding to determine the cap due to internal program funding allocation and re-allotment methods. This process allows for the fluctuation in federal funds to resolve before applying the limiting percentage. Moving to the next slide, this addresses the statutory limiting percentages of the required partner programs. You'll see Department of Labor programs, including WIOA Title I for youth, adult or dislocated worker as well as the Wagner-Peyser program had a limiting percentage of 3 percent.

The next three are U.S. Department of Education programs, including the Adult Education and Family Literacy Act at 1.5 percent and the Perkins program at 1.5 percent of funds made available to postsecondary level programs and activities as well as funds used to administer postsecondary level programs and activities in the prior year. The vocational rehabilitation program starts in a limiting percentage of 0.75 percent of the prior year's federal funding for program year 2017.

In each year, it will increase by 0.25 percent until it reaches a 1.5 percent in program year 2020 and for subsequent years. In the next slide, there are a couple more programs to discuss. The TANF program is 1.5 percent of funds from the previous year spent on work, education and training activities, plus any associated administrative costs and the Community Services Block Grant program is also 1.5 percent of funds from the previous year spent by local block grant eligible entities to provide employment and training activities, plus any associated administrative costs.

Now, there are a bunch of other programs that also are subject to 1.5 percent that include YouthBuild, Job Corps, NFJP, SCSEP, TAA, UC HUD employment and training programs as well as programs that are authorized under Section 212 of the Second Chance Act of 2007. So now that we know what the limiting percentages are, we can move forward into step one in the next slide of our hypothetical calculation. Here we're calculating the maximum potential cap, which can be expressed through the following formula, which is the limiting percentage of the program times the federal program funding.

This table here identifies the partner's program year 2017 applicable federal funds and the corresponding regulatory limiting percentages. Again, using partner one as sort of a baseline here as we discuss this, you'll see there's a $6 million federal funding amount applicable for program year 2017 and the limiting percentage is 3 percent. Multiply those together to get $180,000, repeat the step for partners two, three, and four for their funding and limiting percentage and we get amounts of $225,000 for partner 2, $150,000 for partner 3 and $240,000 for partner 4.

Our next slide identifies step two and this is where the governor selects that determining factor we discussed several slides ago. Basically, this is a factor that reasonably indicates the use of One-Stop centers throughout the state. This could be, for example, total local population, concentration of wealth or any other factor that is applicable to the state's workforce dynamic. Again, as a reminder in this example, population was selected as the determining factor.

Moving on to step three in our following slide, the governor applies the determining factor to all local areas across the state and then determines the percentage of the factor that is applicable to those areas that reached consensus. And again, this is known as the consensus areas factor percentage. In our hypothetical scenario, the determining factor of population, again, was applied to all areas and it was determined that 70 percent of the population lives in local areas that were successful in their local infrastructure negotiations.

Step four of the next slide is where we calculate the consensus area portion of each program's maximum potential cap. The governor applies the consensus area factor percentage, in this case of 70 percent, to the partner's maximum potential cap resulting in the consensus area's portion of that maximum potential cap. And again, this amount reflects a proxy for the proportionate amount of a partner's maximum cap that is used by the local areas that were successful in negotiating infrastructure costs at the local level.

Again, looking at partner one as an example, we multiply 70 percent times the maximum potential cap of $180,000 and we get $126,000 for the consensus area's portion of the maximum potential cap and repeat that process for partners 2, 3 and 4. Our next slide discusses step number five. This is where we're calculating each partner's applicable program cap. The governor subtracts the consensus area's portion of the maximum potential cap from the overall maximum potential cap. This results in each partner's applicable program cap for the non-consensus area.

This would represent the maximum amount of funding that the governor can require the partners to spend in those local areas that were unable to reach consensus in negotiating infrastructure costs at the local level. So once again, if you look at our partner one, we have $180,000 as the maximum potential cap and we're subtracting the consensus area's portion of the maximum potential cap, which is $126,000 and the $54,000 on the far right-hand side is what the applicable program cap would be for the non-consensus areas and that's $54,000 here.

You'll note at the bottom there is a statement that indicates when there is more than one local area that does not reach consensus, the applicable program cap does not have to be divided evenly between those local areas, but rather in a manner determined by the governor. Again, this could be, perhaps, the determining factor that the governor had selected for this process in the first place. The next slide discusses the governor's comparison here of the program caps to the proportionate shares.

So this is when the governor is insuring that the proportionate share of infrastructure costs that has been determined would be required of each local partner in a non-consensus area in aggregate does not exceed the applicable program cap. So what does this mean as we look at the table? If you look at the partner proportionate shares for partners one, two and three, you'll notice that the applicable program caps are sufficiently high enough such that the partner's proportionate shares for rental cost can be fully funded.

However, in this example, partner four's applicable program cap is lesser than its proportionate share of rental costs and this puts us in a dilemma as to what we can do. So the next slide talks a little bit about what the governor can do. And Chris just went over this earlier in one of his slides, but again, in the context of this example, now that we have a hypothetical partner that's unable to pay a proportionate share based upon the cap, what are our options?

The governor can inquire whether that local partner program whose aggregate total contributions exceed the applicable program cap is willing to contribute beyond the applicable cap up to its proportionate share. This is still consistent with uniform guidance and is allowable. If a partner is unable to or unwilling to provide a proportionate share in excess of its applicable program cap, then the local workforce development board, One-Stop partners and chief elected official can be allowed to reenter negotiations to reassess each One-Stop partner's proportionate share making any adjustments, identifying any alternative sources of funding that could make up the difference between the capped amount and the proportionate share of infrastructure funding of the One-Stop partner.

What this does not mean is shifting costs from a partner whose proportionate share is above its applicable cap to a partner whose applicable cap is above its proportionate share. And then finally, the governor can effectively have the workforce development board, the local level, the One-Stop partners and the chief elected official to reduce the infrastructure cost to reflect the amount of funds that are actually available without exceeding the applicable program cap level. What this most likely will mean is that the services that the partners would've wanted to fund in their One-Stop center at the local area are not likely to be fully funded.

So as you can see, the implementation of the caps and the state funding mechanism may potentially result in, of course, further complex calculations in additional steps, but really focusing in on insufficient partner funding for the infrastructure costs at that local level. So the next slide is simply a reminder that the statewide caps must be calculated for each partner program. The statewide caps will only apply to those required partner programs in local areas that do not reach consensus and the statewide caps can only apply to how much the governor can require the partners to contribute.

Again, partners are allowed to contribute beyond the cap amounts as long as they adhere to the principle of proportionate share. So once again, our next slide is a knowledge check and we have a question here about infrastructure funding agreements. The question is what is the date that all final Infrastructure Funding Agreements, or IFAs, must be negotiated and signed by all partner programs? Option number 1 is July 1, 2017, option number 2 is January 1, 2018 and option number 3 is October 1, 2017. And we'll pause a few moments to allow you to submit your responses.

Well, the answer is number 2; the Department of Labor is using its transition authority in WIOA Section 503(b) to provide an extension for the implementation date of the final IFAs for program year 2017 specifically. With its extension, the final IFAs must be in place no later than January 1, 2018. However, keep in mind that governors have the discretion to require local areas to enter into final IFAs at any time between July 1, 2017 and January 1, 2018. So at this point, we would like to take the remaining time we have to answer some questions submitted from the participants around the country.

If you have not already done so, please enter your questions in the chat window. Be patient with us as we sort through some of these and provide answers to them as we receive them.

MR. VEHLOW: And just to remind everyone the transcript and recording for today's webinar will be posted to WorkforceGPS in about two business days.

MS. CASTANEDA: OK, everyone here is the first question. "Craig, if a not required partner does not agree, does this require implementation of the state funding mechanism?"

MR. MCMANUS: OK. Thank you, Chanel. This information is actually provided in the guidance document that was published back in January. It can be found in TEGL 17-16 as well as RSA-TAC-1703 and it indicates that the state funding mechanism does not apply to additional partners and cannot be triggered by an additional partner's disagreement on the terms of the IFA or their refusal to sign the IFA.

Now, while additional partners are not subject to the state funding mechanism, they're still required to contribute to One-Stop infrastructure costs funding in accordance with the program's proportionate use of the One-Stop center and relative benefit received, again, consistent with the requirements for One-Stop partner contributions in WIOA, the joint WIOA final rule and of course, uniform guidance at 2 CFR Part 200.

MS. CASTANEDA: All right. Thanks, Craig. Here's another question, once again. "Craig, why are we not able to go with a proportionate of funding allocated for the state per required partner?"

MR. MCMANUS: And I'm assuming this question is specific to why couldn't the amount of funds that individual partner programs receive be used as the allocation methodology or basis and we just want to remind folks that the cost allocation methodology is based upon proportionate use and relative benefits received. So the amount of partner funding – or federal funding, let's say, received by partner programs is really more of a sign of the resources available to the program, but it's not a proxy or a representation of proportionate use of the One-Stop center by those partners.

And so a different allocation methodology, whether it be occupation of square footage or consumer counts of partner program participants would be a more appropriate representation of proportionate use of various cost categories in the One-Stop center.

MS. CASTANEDA: OK. Thanks, Craig. Jacqui, we have a question and the question is, "Can you please suggest how partners might anticipate consumer count for planning purposes?"

MS. SHOHOLM: Yes. For at least the first year of operation, they may, for their initial calculation, use past activity and use that as a proxy for future. What I mentioned in my slides about reconciliation would resolve that and – as time went on. What we are recommending is that the MOUs and the IFAs be looked at quarterly and reconciled to actual participant activity the previous quarter. And so after a period of time, you would have a better proxy for actual numbers.

MS. CASTANEDA: OK. Thanks, Jacqui. We have another question and I'll take this question. The question is, "What happens if the customer is co-enrolled in multiple programs, for example, for the resource room allocation?"

So at the partner level – or excuse me – at the local level, partners would have to agree on a methodology in order to account for participants that are co-enrolled in multiple partner programs. So they would have to determine based on proportionate use and relative benefit received what methodology they will need to use in order to allocate if they are to use consumer count, how to allocate cost in – how to allocate the costs that are associated with participants that are co-enrolled in multiple partner programs. So that is something that at the local level, the partner programs, would have to agree upon and would have to outline that in the MOU.

Just keep in mind, when you are determining an allocation basis for those individuals if you're using consumer count, it still has to adhere to the principles of proportionate use and relative benefit received as well as be reasonable, necessary and allocable. OK. So looking at the questions, either Craig or myself, here's a question. "Would a training vendor who is sharing space with a One-Stop center fall into the local funding mechanism?"

MR. MCMANUS: So I can kick this off, Chanel and you can add in as well. Not knowing for sure whether or not this training vendor would be an additional partner, that's part of the determination and if that individual is an additional partner, they would need to enter into the negotiations with the other required and additional partners at the local level to negotiate out infrastructure costs. However, again, as we mentioned a little bit earlier, additional partners are – they neither trigger nor are they subject to the state funding mechanism even though they must still provide an infrastructure cost contribution based upon proportionate share.

MS. CASTANEDA: Yes. And correct me if I'm wrong, Craig, but the governor cannot mandate that an additional partner contribute.

MR. MCMANUS: That is correct.

MS. CASTANEDA: OK. The next question, Jacqui. "We know that the board, CEOs and partners sign the MOU, but who must sign the IFA?" Oh, Jacqui, hello?

MS. SHOHOLM: Sorry. We had the mute button on. The MOU is the overall document for the operation of the One-Stop center locally. The IFA is one component of the MOU. So by signing the MOU, those parties are in effect agreeing to the IFA as well. It's not a separate signature.

MS. CASTANEDA: And I think if our – if the audience opens up the sample MOU, you'll see that there – the sample MOU and infrastructure costs toolkit you'll see that in the hypothetical situation of X, Y, Z local area that there is – it identifies all the mandated parties that are to sign the MOU and IFA.

MR. MAYO: And Chanel, if I could tag onto the end of Jacqui's answer, there are situations where certain partners – certain entities within the partner's organization would be required to sign for the IFA, because it's dealing with the allocation of funds. So you have to consult your partner or the partner's organizational structure to determine some of that, but generally, yes, what Jacqui said is correct, that by signing the MOU, you are agreeing to the IFA as well as it's a sub-part of it.

MS. CASTANEDA: Thanks, Jacqui and Chris. Chris, here's another question."Would the state funding mechanism be triggered if one of the mandated partners who is not currently co-located in the comprehensive One-Stop choose not to co-locate and therefore, not share in the total infrastructure costs?"

MR. MAYO: Short answer is yes. That partner – (inaudible) – be in non-compliance and when we talk about co-location, I think it's important to make the distinction of being physically located and virtually located through a direct linkage as is described in the access portion of the regulations, which is 678.305(d). Direct linkage provides the ability for partners to provide virtual access. So if we're talking about co-location, we're talking about providing access through the One-Stop centers, whether you're – the partner is physically located or virtually located.

If a partner is choosing not to participate at all in that organizational structure, then they would be in violation of their statutory requirements and – (inaudible) – that would cause the triggering of the state funding mechanism.

MR. MCMANUS: This is Craig. There's a few other questions, I think, that have come in related to the treatment of costs by partners that perhaps are not physically co-located. And as the joint NFR rule and some of the preamble language is clear that all required partners are – must participate in the infrastructure costs regardless of their presence, however, it's to the extent that they proportionately use the One-Stop center and how relative benefits are received by that partner program.

So just because a partner isn't physically present does not necessarily mean that partner will have no costs toward infrastructure costs or no contribution toward infrastructure costs. Is it more likely that they'll have less rent utilities to pay than partners that are physically co-located? Probably so. But for instance, if you recall the example that we went through here and the way that consumer counts for partners were allocated, partners who are not physically present, but still actively send their participants over and utilize a resource room may still incur some costs for infrastructure related to their proportionate use and benefit to their program of the resource room.

So it's important to keep in mind, when allocating the cost at the local level, that you're identifying those cost allocation methodologies, again, that are most reflecting of proportionate use of those cost categories regardless of whether you're physically present or not.

MS. CASTANEDA: OK. Thanks, Craig and Chris. Just looking at the questions we have the queue. Chris, we have a question and I think this was when Craig was going over the program caps. This question says, "Three percent of what local received funding?"

MR. MAYO: OK. So yes. That refers to the cap percentages that apply to partner programs under the state funding mechanism and the 3 percent would be from the total funding that that program receives in the state at the state level. So the total funding from all the local areas combined that is federal – received from the federal government at the state level and that 3 percent only applies to Title I programs.

MS. CASTANEDA: OK. We have quite a number of questions and – about the MOU and the IFA. Many questions are in regards to the final implementation – the implementation date of the final IFA for program year 2017.

The extension that DOL is using transition authority, this does not change the deadline of July 1, 2017 for the rest of the MOU. So for the July 1, 2017 deadline, the MOU must be completed, but at that time, you could use an interim IFA in place of a final IFA while you're – the local programs – local partner programs either go through and finish the local funding negotiations or go through the state funding mechanism.

So the extension of January 1, 2018 does not change the deadline of July 1, 2017 for the MOU, but at January 1, 2018, a final IFA must be in place.

MR. MCMANUS: And Chanel, this is Craig. And perhaps just to expand a little bit, also, about the final IFA date, while January 1, 2018 is the final IFA due date, as you're probably gathering, if you haven't already read some of the guidance documents, but as you're listening to the information presented in the webinar, there's a significant effort that the governor will have to undertake to gather the necessary information across the state determining – or identifying determining factors in making these decisions.

And so the governor may shorten up or create a – an earlier date or deadline for when partner – or local areas have to indicate that they were unsuccessful in reaching consensus, perhaps October 1st or November 1st so that the governor can work through this process to get to the local partner contributions and proportionate shares for those folks when the state funding mechanism is triggered.

MS. CASTANEDA: Thanks, Craig for that clarification. OK. Chris, we have a question. Sorry, I'm scrolling through, there's a lot of questions. "Are any of the partners in the state funding mechanism, for example, WIOA, whose administrative cap is 10 percent?"

MR. MAYO: So I believe they're referring to Title I programs, which the administrative cap is 10 percent and Title I programs are actually authorized to use program and administrative funding to fund infrastructure. So that is a bit of a caveat to that rule.

MS. CASTANEDA: Thanks, Chris. I just want to point out just to further elaborate on that. If you look at TEGL 1716 as well as the corresponding technical guidance by OCTAE and RSA, you will find that – will identify the types and sources for the local and funding – under the local and funding state – excuse me, under the local and state funding mechanisms on the types and funding – types and sources of the funding for infrastructure costs. Like Chris said, for example, Title I could use program and administrative funds, SCSEP, TAA programs, REO programs can use program funds, administrative funds or may use both to pay for infrastructure costs.

So you'll see in the TEGL as well as the corresponding technical assistance guides put out by our department of education partners where the types and sources of funding for infrastructure costs would be considered. OK. "Chris, if one partner at the local level does not agree with the IFA funding mechanism, is it true all partners then would be subject to the state formula?"

MR. MAYO: Yes. It is true. Unfortunately, that is a statutory requirement that full consensus be reached among required partners. So if even one partner disagrees, then the state funding mechanism is triggered, but in everyone else reaching an agreement, it puts those partners in a better place, because the governor is going to be using all the documents generated during the local funding mechanism's negotiations to make their determination.

So it's very likely that the governor could look at all that information and take all the infrastructure funding contributions agreed upon and just put them in place and then determine what is needed from that one partner who does not agree.

MR. MCMANUS: And this is Craig, again, just to clarify that we're talking about the required partners.

MS. CASTANEDA: Yes. Thanks, Craig and Chris. We have one question this person asked. "Where can we obtain the IFA example from the sample MOU in spreadsheet form?"

We are currently working to put the Excel worksheets on the ION system. So they will hopefully be there in the next week in the same webpage where you're finding the PDF copies. We thought they were up there. Apparently, they were not posted. So I will insure that those Excel spreadsheets will be updated in the coming weeks.

OK. Craig, it says, "After the quiz in Slide 20 which indicated that contributions did not have to be in cash only. The presenter hinted that we would be made more aware of that by the end of the webinar. Can you provide more examples of non-cash contributions, please?"

MR. MCMANUS: So I just wanted to kind of go over here sort of the distinction between non-cash contributions and third party in-kind contributions and hopefully that will help to clarify. The non-cash contributions are expenditures incurred by the One-Stop partners on behalf of the One-Stop center and goods or services contributed by a partner program and used by the One-Stop center.

The difference between that and third party in-kind contributions are that third party in-kind contributions are contributions of space, equipment, technology, non-personnel services or other like items by a non-partner to support the infrastructure costs associated with the One-Stop operations. And there are two types of third party in-kind contributions. There could be general contributions to a One-Stop center that would not be connected specifically to any one individual partner. Let's say a city offers to provide space for the One-Stop for all of its partners, that would be an example of a third party in-kind contribution.

And then the second type of third party in-kind contribution are those made specifically to a One-Stop partner program. Let's say a third party wants to donate computers that are in the budget and required for the resource room for a particular MOU and IFA, that would be an example of those made specifically to a One-Stop partner program by a third-party entity.

MS. CASTANEDA: Thanks, Craig. We just have time for a couple more questions. "Chris, just to clarify, the caps do not take into account any funds obligated through the local areas which agree to a local funding mechanism?"

MR. MAYO: Yes. That is correct. The caps only take into account local areas that fall under the state funding mechanism and the funds that are allocated to those areas. "Chris, any suggestions for allocating costs when no required partners physically occupy the One-Stop?"

MR. MAYO: Well, there are actually staffing requirements for the One-Stop that require a certain number of Title I staff members to be present at any certain time and then there are requirements for, for instance, Wagner-Peyser programs to be co-located with other programs. So we don't anticipate and we hope not to find a situation where there are no physical presence in the One-Stop because of those staffing requirements. We do expect partners to make every effort to be physically present when they can, basically, because it increases the level of service provided to customers and increases the opportunities that they can receive.

MS. CASTANEDA: OK. I think that's time for all the questions. I'll turn it back to Craig who's got one more slide.

MR. MCMANUS: OK. Thank you, Chanel and thanks for all those questions. Those were great. I know it was a challenge for us to get to those. We wanted to make a couple reminders here that additional technical assistance is going to be provided really through MOU Part III. It will be a WIOA Wednesday that is going to occur on June 28th and it will involve the Wisconsin Department of Workforce Development who will be showcasing a job center's cost database that was presented at the ETA convenings in the three locations in San Diego, Dallas and Washington, D.C. in which it tracks infrastructure costs as well as additional costs.

It allows for partner allocation methodologies to be worked out and contributions to be determined and they'll talk a little bit about how the database was successful in helping their local areas reach consensus through the local funding mechanism. Also, a reminder to register on WorkforceGPS. Of course, the website was provided on – or the URL was provided on slide six of this presentation, but it is also at httpps://ion.workforcegps.org.

So at this point, I just want to thank all the participants throughout the country for their attention and great questions during the webinar as well as thanking my colleagues at the department of education and labor for their participation in presenting the material as well as answering all of these challenging questions.

So thank you. And at this point and time, I'm going to turn it back over to Jon Vehlow who's going to handle some closing logistical remarks about the webinar. Jon.

MR. VEHLOW: Well, thank you, Craig. I just want to thank all the participants today and presenters. I want to ask you to stay logged into the room for just a minute longer to provide us with some feedback. If you look at the top-left corner of your screen, you'll see the feedback window where you can let us know what you thought of today's webinar. Please take a second now to share your thoughts, let us know what we did right or how we can improve. There's also an additional topics window on the bottom right-hand corner of the screen where you can let us know what you'd like to hear in future webinars.

Also, just a reminder that a recording of today's webinar as well as a transcript will be made available on WorkforceGPS in about two business days. So again, we want to thank everyone for joining us and with that, have a great day, everybody.

(END)