

Summary of Comments and DWD-DET's Responses – 4.16 Direct Cost Services Expenditure Goal for Program Year Formula Allocations

Policy Effective January 1, 2023; Compliance will be evaluated beginning with PY2023 funding allocations

1. One commenter requested an example of how the 20% Expenditure Requirement for Youth Work Experience Policy and 35% Direct Cost Service Expenditure Goal Policy align.

WDBs must expend at least 20% of their annual WIOA Youth formula allocation on paid and unpaid work experiences ([Chapter 4.17.2](#)) and spend at least 35% of their annual formula program funding allotment for each of the Adult, Dislocated Worker, and Youth programs on direct cost services.

For example: If a WDB has a \$500,000 Youth program allotment, they are required to spend 20% (\$100,000) on work experience expenditures, as outlined in Chapter 4.17.2, which can include direct and indirect expenditures (such as staff costs to identify, develop, manage, and evaluate WEX). They are also required to spend 35% (\$175,000) on direct-to-participant costs, which DWD-DET expects would include some combination of direct-to-participant WEX costs (e.g., wages) and other costs (e.g., training, career, and supportive services). The remaining \$325,000 could be used to cover staffing costs, etc. when contracting with a service provider(s).

The policy language has been updated to further clarify this and include this example.

2. One commenter questioned whether the costs of individualized career services, such as individual assessments, could be counted toward the 35% expenditure goal.

That is correct. With this revision costs for career, training, and/or supportive services that are paid directly to, or on behalf of, a participant can now be included in the 35% expenditure calculation.

3. One commenter recommended that the title of the policy be changed to better reflect the intent of the policy.

DWD-DET agrees with this recommendation and has made this change.

4. One commenter requested background as to why this change is being made.

The purpose of DWD-DET establishing this expenditure goal is to ensure that a reasonable amount of WIOA funding is spent on direct-to-participant costs including, but not limited to, training-related expenses and supportive services. Providing ample financial supports will serve to improve participant outcomes and overall program success.

The previous iteration of this policy established the goal that WDBs spend 35% of their Adult and Dislocated Worker funding allocations on costs related to training and training-related supportive services. Most WDBs have consistently struggled to achieve this expenditure goal. DWD-DET is aware that this has become increasingly challenging with the influx of COVID-related funding to the workforce system. DWD-DET also recognizes that there is significant value added to the participant experience through accessing career services and additional supportive services that are not directly tied to training activities. This policy revision expands the existing 35% expenditure goal to include all direct-to-participant costs (as defined in this policy), which should increase WDBs' success in meeting this goal while simultaneously encouraging expanded service delivery to Wisconsin's WIOA Title I program participants.

5. One commenter requested that DWD-DET acknowledge that this change will require additional administrative effort and costs and that DWD-DET has not included in this policy any system-wide efficiencies that would assist the local areas in any way. The commenter acknowledged that there are often regulatory requirements or DOL requirements that lead to change[s] like [this], but opined that such does not seem to be the case here and that it seems [DWD-DET] is falling back into the era of unfunded mandates.

DWD-DET does not agree with this opinion. The intent of this policy is to ensure that sufficient funding is directed to participants, or provided on their behalf, rather than solely funding WDB and service provider staffing and overhead costs. While DWD-DET recognizes that staffing and overhead costs are necessary for the continued operation of the workforce system, it also has a responsibility to ensure that all services are sufficiently made available to Wisconsin residents seeking career, training, and/or supportive services. Establishing this funding goal is one way to achieve that purpose.

DWD-DET has established the COMET system to support tracking of these expenditures.

DWD-DET believes that expanding the allowable costs that can be included in this 35% expenditure goal should increase the success of WDBs in achieving the goal and reduce the instances in which this must be addressed through monitoring activities. Ultimately, this should reduce administrative burden.

Additionally, through data analysis, DWD-DET has identified that many available career and supportive are underutilized. This policy revision seeks to acknowledge the significant value that can be provided via WIOA activities other than training, and encourage WDBs and their service providers to pursue service strategies that maximize the use of all allowable WIOA services, rather than focusing only on training activities.

6. One commenter questioned whether DWD-DET would be providing additional administrative funds to offset the cost of tracking and reporting such expenditures?

It is unclear to DWD-DET how this policy change would require additional administrative costs, as all expenditures are recorded in COMET currently. DWD-DET can provide technical assistance with navigating COMET if needed. Please reach out to your assigned local program liaison and/or fiscal contact for further guidance.

7. One commenter requested that DWD-DET provide technical assistance to local areas that includes best practices as to examples of “direct costs/services ” to ensure we are appropriately capturing these expenditures.

DWD-DET can provide technical assistance as needed. Please work with your assigned LPL and/or fiscal contact for further guidance.

8. One commenter also requested that DWD-DET share programmatic opportunities and best practices that can [be] duplicated at the local level to help WDBs meet such a goal. They further commented that DWD is stating what [WDBs] need to achieve but is not providing any solid, evidence-based examples or strategies that will help us meet your expectations.

DWD-DET is unsure of the intent behind this question. This policy revision expands costs that are able to be included when calculating the 35% expenditure goal. DWD-DET recommends providing career, training, and/or supportive services as allowable under WIOA. DWD-DET also recommends examining local policy restrictions that limit spending in certain service categories, such as supportive services, to allow for expanded service delivery that directly benefits participants.

DWD-DET also recommends reaching out to other WDBs throughout the state, some of which have expressed support for this policy revision and have used this change as a catalyst to implement more innovative service delivery strategies.

9. One commenter opined that more robust direct participant costs will most likely lead to reduced enrollments, and that an expanded menu of services and limits does not mean expanded revenue.

DWD-DET is aware that increased cost-per-participant spending may result in a WDB serving fewer individuals overall. However, DWD-DET believes that this may also result in the individuals who do receive service ultimately being served more holistically, having their needs more fully met, and producing more successful outcomes. In awarding funds, DWD-DET's grant agreements with the WDBs do not establish enrollment targets. Rather, WDBs are held accountable to WIOA's primary indicators of performance as a percentage of total enrollments. So, DWD-DET acknowledges the truth of this, but does not consider it to be problematic.

10. One commenter requested that DWD-DET provide additional context to the entire policy. A clarification (direct cost services) referenced in the policy states: *Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. DWD-DET interprets this definition to include training services, support services, and certain individualized career services where funding is provided directly to, or on behalf of, the participant. This excludes basic career services and costs associated with staff time.* The commenter pointed out that the UG reference § 200.413(a) Direct costs (General) is not fully put into context given that this section in UG does address wage and fringe as allowable. By pulling out this single paragraph from a UG section that is quite lengthy is very confusing. If DWD is seeking to have more funds spent on direct participant services (direct services/costs that can be tracked by participant), then that is what should be stated. In general, UG has nothing to do with this policy except to substantiate the direct participant costs, outside of those associated with a staff time, are an allowable cost under UG and WIOA. The UG definition of direct costs in no way whatsoever "excludes basic career services and costs associated with staff time."

Thank you for your feedback. DWD-DET has changed the language in the policy to address "direct-to-participant costs," rather than using a modified form of the Uniform Guidance definition of "direct costs." DWD-DET has defined "direct-to-participant costs" as "those costs that are paid directly to, or on behalf of, a participant,

including costs for training services, supportive services, certain youth program elements, and certain individualized career services. This excludes basic career services and costs associated with staff time."

This definition aligns with DWD-DET's assessment of questioned and/or disallowed costs for the purposes of monitoring and is based on guidance received via email from the U.S. Department of Labor.

11. One commenter stated that [t]he policy does not take into account services provided to employers, including the staff time needed and the actual costs for OJTs, customized training and incumbent worker training contracts, host[ing] job fairs, hiring events, provid[ing] labor market data, etc. Also, this policy does not recognize program purchases that cannot be divided by participant but that do benefit participants. For example, [one WDB] is looking at purchasing a virtual reality system that would provide career exploration and occupational skills education. This item would benefit many of our programs and be depreciated across several fund sources How would such a purchase be counted in this policy? Wouldn't WIOA customers benefit from such technology? Can it be captured in the 35%? If not, please share DWD's reasoning as why not.

This policy is specific to funding provided directly to, or on the behalf of, participants. It is understood that there are a whole host of tangential activities that are included in the administration WIOA. The remaining 65% of formula allocations can, and should, be used for such activities.

Further, the previous iteration of this policy established a 35% expenditure goal that was more restrictive in terms of what could be included toward the calculation. This revised policy retains the same 35% goal and expands the allowable costs that can be included in the calculation. This should provide greater opportunity for WDBs to successfully meet the goal, while providing innovative service delivery to Wisconsin's WIOA participants.

For a more in-depth discussion about the allowability or classification of the purchase of a virtual reality system, please contact your LPL or fiscal contact.

12. One WDB questioned whether this policy revision is somehow related to the development of the ASSET financial system currently in progress and recommended that DWD-DET conduct a pilot of such a policy and the value it brings to workforce program before moving forward?

This policy revision is not related to the ASSET Financials project. However, once it becomes available, the ASSET Financials Project could provide a tracking mechanism for the 35% direct-to-participant cost expenditure goal (which may help to address the previous comment about financial tracking/reporting).

DWD-DET is aware of the need for WDBs to have time to adjust their tracking systems to accommodate the changes outlined in the policy revision. For this reason, the policy will become January 1, 2023, but compliance will only be evaluated beginning with PY2023 funding allocations. However, WDBs are encouraged to adopt the policy prior to the availability of PY2023 funding.

13. One commenter identified that Section 4.16.3 does not specifically address the Youth program.

Thank you for this feedback; DWD-DET updated the policy accordingly.

14. Once commenter requested that DWD-DET provide examples of “mandatory technical assistance.” To date, local areas have yet to see technical assistance in general on the youth program.

Examples of mandatory technical assistance may include virtual or in-person trainings, virtual or in-person meetings, phone calls, and/or e-mails to identify and/or develop strategies to increase spending on direct-to-participant costs.

If you are in need of further technical assistance, please contact your assigned LPL.

15. One WDB commented that DWD has not provided final guidance on coordination of funding sources. This is important as the best way ensure hitting the 35% would be to expand local ITA and support service limits and stop coordinating with other fund sources.

The regulatory requirement found at [20 CFR 680.230](#) limits the availability of WIOA funding for training to program participants who are "unable to obtain grant assistance from other sources to pay the costs of their training; or require assistance beyond that available under grant assistance from other sources to pay the costs of such training." This regulation requires that "programs and training providers must coordinate funds available to pay for training."

DWD-DET has revised the previous policy, which established a goal to spend 35% of Adult and Dislocated Worker annual funding allocations on training-related costs, to allow for additional costs to be included in the 35% calculation. One of the drivers for making this change was anecdotal evidence from the WDBs that spending 35% on training-related costs is challenging due to this regulatory requirement.

16. One commenter stated "I do not see a mention of reasonable, necessary or allowable."

DWD-DET acknowledges that this language is not included in this policy revision, nor was it included in the original iteration of this policy. As always, per the Uniform Guidance (2 CFR Part 200) all expenditures of federal grant funding, including WIOA, must be reasonable, necessary, allowable, and allocable. DWD-DET has not made any changes to the policy language related to this.