

COMPARING THE LOCAL AND STATE INFRASTRUCTURE FUNDING MECHANISMS:

Reaching Consensus for a Better One-Stop

Presented by the U.S. Department of Labor, Employment and Training Administration

Today's Agenda

CONTINUING the CONVERSATION
2017 WIOA National Convenings

- Infrastructure Funding Requirements
- The Local Funding Mechanism (LFM)
- Looking at a Sample Infrastructure Funding Agreement (IFA)
- Hypothetical Infrastructure Funding Negotiations
- Comparing the State Funding Mechanism (SFM) to the LFM
- The Steps of Implementing the SFM
- Hypothetical Application of the SFM

The Law and Regulations

Requirements for the sharing and allocating infrastructure costs may be found at:

- WIOA Sec. 121(h)
- WIOA Joint Final Rule - 20 CFR 678.700 - 678.755
- Uniform Guidance:
  - 2 CFR part 200 : Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Final Rule. December 26, 2013; and
  - 2 CFR part 2900: Office of Management Budget (OMB) approved exceptions for DOL

Guidance & Specific TA

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- TEGL 17-16 – Infrastructure Funding of the One-Stop Delivery System
- WIOA One-Stop Infrastructure Costs – FAQs
- WIOA Wednesdays Webinar – Infrastructure Funding – Part I
- WIOA Wednesdays Webinar – Infrastructure Funding – Part II (coming soon)
- **Sample MOU and Infrastructure Costs Toolkit**
  available at: https://ion.workforcegps.org/

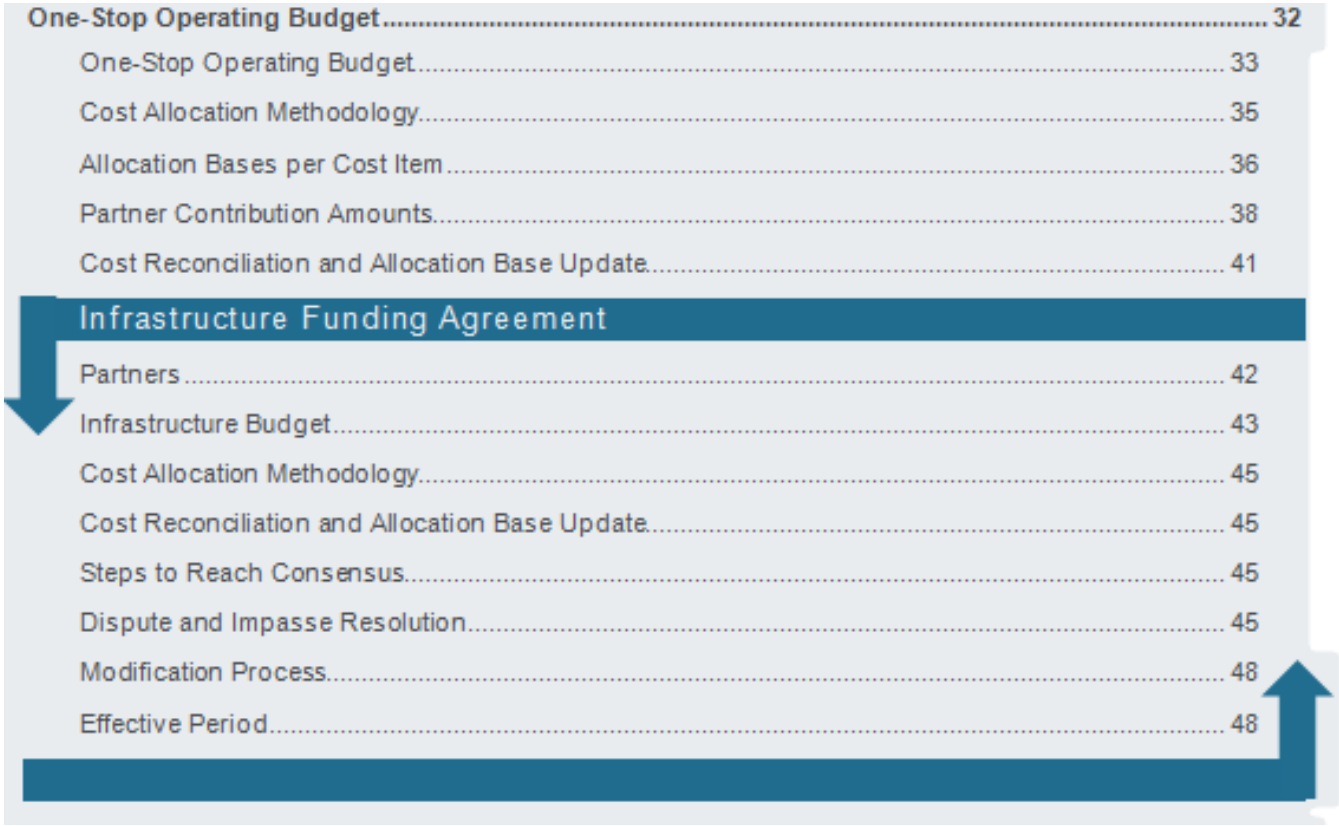
Sample MOU and Infrastructure Costs Toolkit



This **Sample MOU and Infrastructure Costs Toolkit** should be viewed primarily as a support resource, issued as part of the Workforce Innovation and Opportunity Act (WIOA) implementation technical assistance efforts.



Sample MOU and Infrastructure Costs Toolkit



Sample MOU and Infrastructure Costs Toolkit

Infrastructure Budget

Cost Category	Cost Pool	Cost Item	A County	B County	C County	Total
Infrastructure Costs	Accessibility Software/Tools	Assistive Technology for Individuals with Disabilities	$10,050	$3,350	$2,233	$15,633
Infrastructure Costs	General Office Expense	Postage and Freight	$31,667	$10,556	$7,037	$49,260
Infrastructure Costs	General Office Expense	Printing	$16,880	$5,627	$3,751	$26,258
Infrastructure Costs	Outreach Costs	Outreach	$15,600	$5,200	$3,467	$24,267
Infrastructure Costs	Equipment Costs	Equipment Repairs/Maintenance	$25,370	$8,457	$5,638	$39,465
Infrastructure Costs	Equipment Costs	Purchase of new Equipment	$18,667	$6,222	$4,148	$29,037
Infrastructure Costs	General Office Expense	Internet Connections - Common/Shared Areas[22]	$1,593	$382	$234	$2,209
Infrastructure Costs	General Office Expense	Office Supplies	$40,217	$13,406	$8,937	$62,560
Infrastructure Costs	General Office Expense	Telephone Lines - Common/Shared Areas	$1,063	$386	$257	$1,706
Infrastructure Costs	General Office Expense	Internet Connections - Office Areas	$3,693	$1,374	$936	$6,003
Infrastructure Costs	General Office Expense	Telephone Lines - Office Areas	$7,037	$2,314	$1,543	$10,894
Infrastructure Costs	Facilities	Insurance	$15,067	$5,022	$3,348	$23,437
Infrastructure Costs	Facilities	Lease	$225,820	$75,273	$50,182	$351,275
Infrastructure Costs	General Office Expense	Legal Notices	$4,017	$1,339	$893	$6,249
Infrastructure Costs	Signage	Signage	$8,260	$2,753	$1,836	$12,849

[22] Common/shared areas include such areas as resource rooms, conference rooms, classrooms, workshop rooms, staff break room/kitchen, bathrooms, etc.

Infrastructure Funding Requirements

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- The Intent of WIOA
- Important Terms to Remember
- The Required Role of One-Stop Partners
- Requirements for Partner Contributions

The Intent of WIOA

WIOA makes improvements to the public workforce system including a requirement that partners dedicate funding for allowable infrastructure and additional costs that are allocable to the partner and in proportion to the partner's use and the relative benefit received by the partner program.

Terms to Remember

- **Infrastructure costs** are non-personnel costs necessary for the general operation of the one-stop center.
- **Non-personnel costs** are all costs that are not compensation for personal services.
  - Costs related to services performed by contract vendors are **non-personnel costs**.
  - Direct one-stop center or partner staff costs are **personnel costs**.

More Terms

- **One-Stop Partners** are the entities that carry out the participating programs in a Local Area.
  - **Required Partners** are one-stop partners required by WIOA to participate in one-stop centers.
  - **Additional Partners** are all one-stop partners that are not required to participate in one-stop centers.

The Required Role of the One-Stop Partners

- Provide access to program services and activities through the one-stop delivery system.
- Enter into a local memorandum of understanding (MOU) with the Local WDB relating to the operation of the one-stop system, which includes the IFA.
- Financially contribute to the operations of the one-stop delivery system including contributing towards infrastructure costs.

Requirements for Partner Contributions

All partner contributions to the costs of operating and providing services within the one-stop center system must:

- be proportionate to the relative benefits received,
- adhere to the partner program's federal authorizing statute, and
- adhere to the Federal cost principles requiring that costs are reasonable, necessary and allocable.

The Local Funding Mechanism (LFM)

20 CFR 678.715(a) -

"In the local funding mechanism, the Local WDB, chief elected officials, and one-stop partners agree to amounts and methods of calculating amounts each partner will contribute for one-stop infrastructure funding, include the infrastructure funding terms in the MOU, and sign the MOU."

Why Use the LFM?

- One-stop partner programs may determine what funds they will use to pay for infrastructure costs.
- Partners determine how infrastructure contributions will be calculated.
- There are no specific caps on the amount or percentage of funding a one-stop partner may contribute, except that some partners that contribute administrative funds to fund infrastructure costs may not exceed the amount available for administrative costs under the authorizing statute of the partner programs.

Consensus is REQUIRED

Consensus on the infrastructure budget, as well as partner contributions, must be reached by all **required partners** for the LFM to work.

If consensus cannot be reached, the SFM is triggered.

What is an IFA?

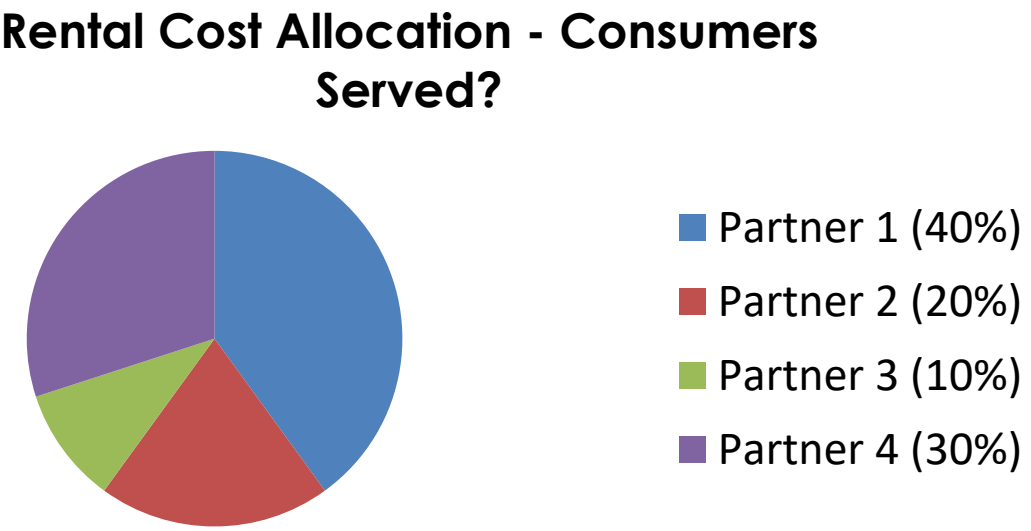
- IFAs (formerly referred to as Resource Sharing Agreements) are a mandatory *component* of the local Memorandum of Understanding.
- The IFA is part of the MOU; it is not considered a separate agreement.
- Changes in the one-stop partners or an appeal by a one-stop partner's infrastructure cost contributions will require a modification to the MOU.
- An IFA describes a reasonable cost allocation methodology where infrastructure costs are charged to each partner

PART 1 – Local Funding Mechanism

Partner contributions must be allocated at local levels based upon allocation methodologies that demonstrate proportionate use and relative benefits received by the partners.

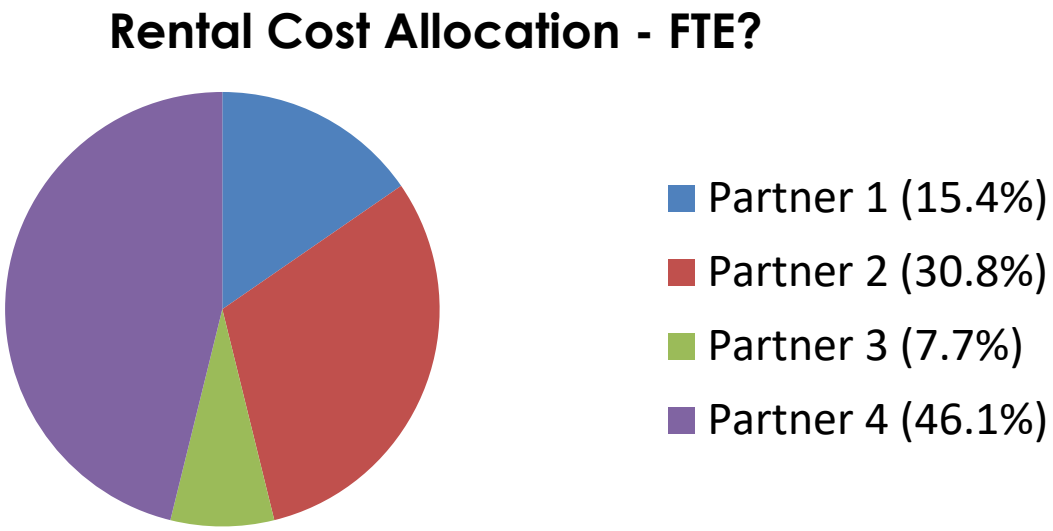
Local Funding Mechanism

Should rental cost be allocate by customers served in the one-stop?



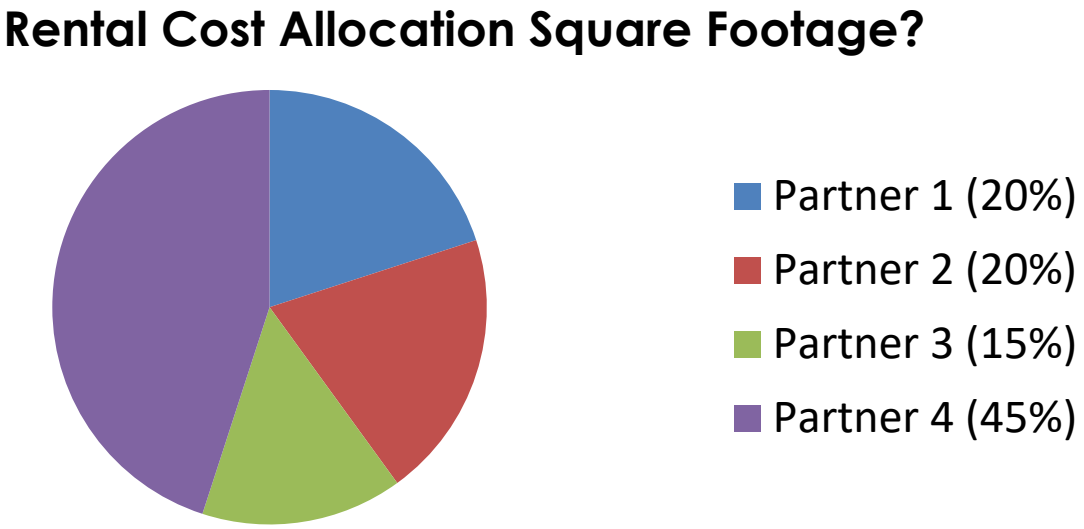
Local Funding Mechanism

Should rental cost be allocate by full time equivalent (FTE) staff?



Local Funding Mechanism

Should rental cost be allocate by square footage?

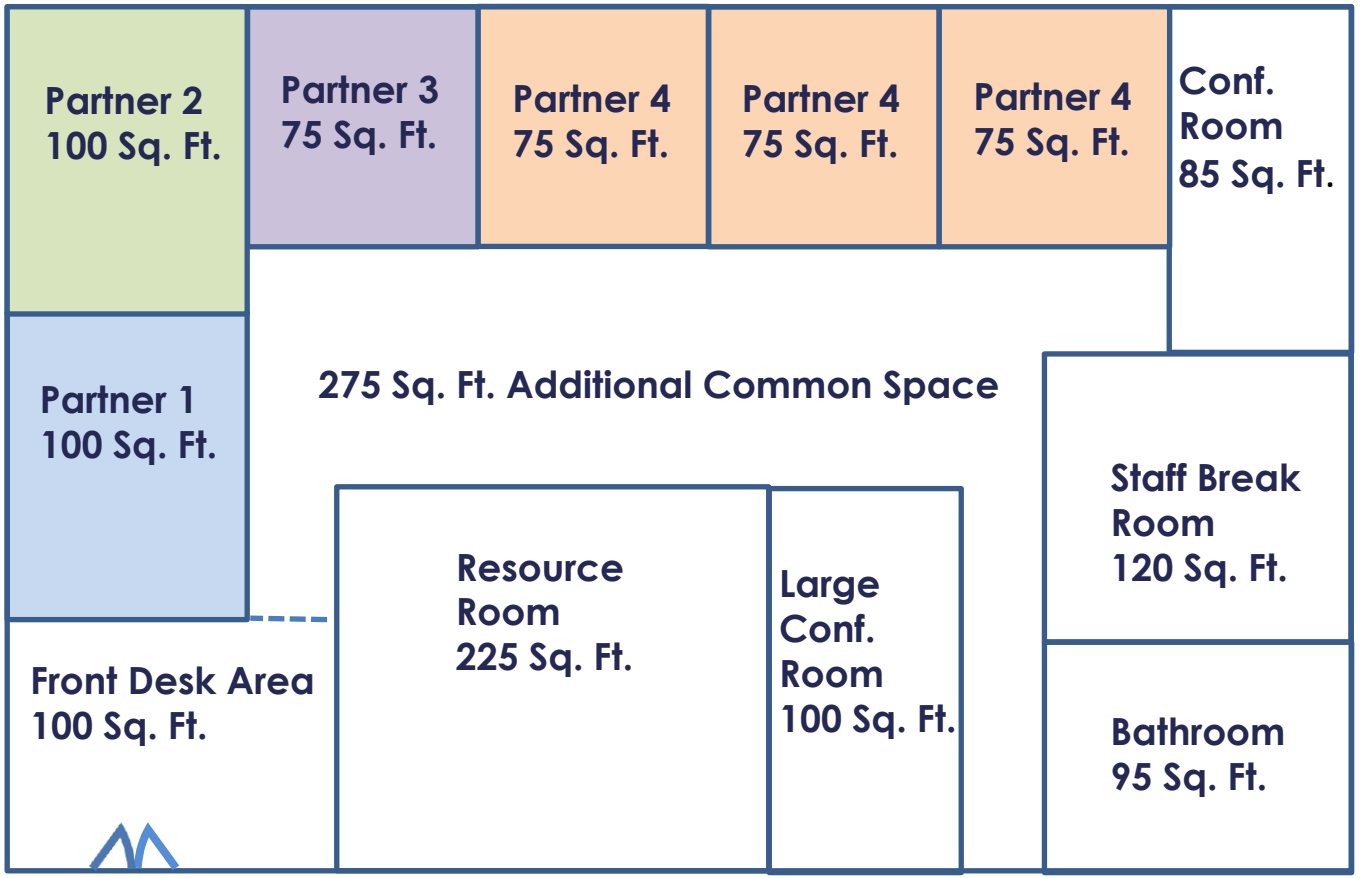


Local Funding Mechanism Sample

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One-Stop Center Floor Layout

(Total 1,500 Square Feet)



Innovation & Opportunity Network
Implementing WIOA

Local Funding Mechanism Sample

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One-Stop Information

Direct Square Footage Of Partner Space
Partner 1: 100
Partner 2: 100
Partner 3: 75
Partner 4: 225
Total Direct: 500

Common Space in Square Footage
Front Desk: 100
Conference rooms (2): 185
Staff Breakroom: 120
Bathroom: 95
Additional Common Space: 275
Resource Room: 225
Total Common Space: 1,000

Partner Consumers Served
Partner 1: 400
Partner 2: 200
Partner 3: 100
Partner 4: 300
Total Consumers Served: 1,000

Local Funding Mechanism Sample

One-Stop Rental Cost Example

Cost Category	Cost Pool	Cost Item	Allocation Base	Cost
Infrastructure	Facilities	Lease	Square Footage	$191,947
Infrastructure	Facilities	Lease	Customers	$33,873
			Total Lease Costs =	$225,820

This example demonstrates that the lease costs of the particular one-stop center will be allocated partially by square footage and partially by customers served.

Local Funding Mechanism Sample

LFM Space Allocation

1. Allocate rental costs of direct space and common space (less Resource Room) via square footage.

Space Information:

- Total one-stop center rental costs are $225,820
- Total one-stop square footage is 1,500 square feet
  - Direct partner occupied space is 500 square feet
  - Total common space is 1,000 square feet
    - Resource Room is 225 square feet

Local Funding Mechanism Sample

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LFM Space Allocation
Square Footage for 85 percent

- What percentage of space is allocated using square footage?
  ((Direct space + (Total Common Space – Resource Room Space)) / Total space)
  (500 + (1,000 – 225)) / 1,500 =.85 (or 85 percent)

- What is amount of rent allocated using square footage?
  (Percent of space allocated using square footage X Total Rental Cost)
  85% X $225,820 = $191,947

Local Funding Mechanism Sample

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LFM Space Allocation
Square Footage for 85 percent

Partners	Square Footage	Square Footage Percent per partner	Partner allocations of the $191,947
Partner 1	100	20%	$38,389.40
Partner 2	100	20%	$38,389.40
Partner 3	75	15%	$28,792.05
Partner 4	225	45%	$86,376.15
Totals	500	100%	$191,947

Local Funding Mechanism Sample

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LFM Space Allocation
Consumer Counts for Resource Room - 15 percent

2. Allocate rental costs of Resource Room via customer counts.

- Resource Room is 225 square feet
- Total one-stop square footage is 1,500 square feet

Local Funding Mechanism Sample

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LFM Space Allocation
Consumer Counts for Resource Room - 15 percent

- What is the percentage of space allocated using customer counts?
  Resource Room Square feet / Total Space
  (225 sq ft / 1,500 sq ft) = .15 (or 15 percent)

- What is the amount of rent allocated using customer counts?

(Percent of space allocated using customer counts X Total Rental Cost)

15% X $225,820 = $33,873
Or simply
$225,820 - $191,947 = $33,873

Local Funding Mechanism Sample

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LFM Space Allocation
Consumer Counts for Resource Room - 15 percent

Partners	Consumer counts	Consumer Count percent per partner	Allocation of Resource Room Costs $33,873
Partner 1	400	40%	$13,549.20
Partner 2	200	20%	$6,774.60
Partner 3	100	10%	$3,387.30
Partner 4	300	30%	$10,161.90
Totals	1,000	100%	$33,873

Local Funding Mechanism Sample

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LFM Space Allocation
Total Rental Contributions: Sum of square footage and customer count per Partner

3. Total the partner allocations from each allocation basis to determine partner contributions for rent.

Partners	Partner rent allocations per square footage	Partner rent allocations per customer count	Total Partner rent contribution
Partner 1	$38,389.40	$13,549.20	**$51,938.60**
Partner 2	$38,389.40	$6,774.60	**$45,164**
Partner 3	$28,792.05	$3,387.30	**$32,179.35**
Partner 4	$86,376.15	$10,161.90	**$96,538.05**
Totals	$191,947	$33,873	**$225,820**

The State Funding Mechanism

20 CFR 678.730(b) –

"In the State funding mechanism, the Governor, subject to the limitations in paragraph (c), determines one-stop partner contributions after consultation with the chief elected officials, Local WDBs, and the State WDB."

Details of the SFM

- Governors determine required one-stop partner contributions in accordance with 20 CFR 678.730 – 678.738.
- Governors' determination of the required one-stop partner contributions is subject to the funding caps outlined in 20 CFR 678.738(c).

The Steps of Implementing the SFM

How the Governor determines Partner's infrastructure contributions using 5 steps.

Step 1: Notice of No Consensus Given to Governor

- If no consensus can be reached among the local WDB, one-stop partners, and the Chief Elected Official (CEO) or officials, the Local WDB must notify the Governor of the failure to reach consensus, triggering the SFM.

- Notice must be given by a date set by the Governor and outlined in guidance provided to the Local WDBs.

Step 2: Local Negotiation Materials Provided to Governor

The Local WDB 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;
- any agreed upon, proposed, or draft IFAs.

Step 3: Governor Determines Infrastructure Budget

The Governor can either:

- accept an infrastructure budget that was agreed upon at the local level; or
- use the formula developed by the State WDB to create a working infrastructure budget.

The Formula requires the 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 WDB determines to be appropriate.

REMEMBER!

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 SFM.

Step 4: Governor Establishes Cost Allocation Methodology

- Must follow the principles of proportionate use and relative benefit received.
- Must be consistent with the Uniform Guidance, relevant regulations and statutes, any further regulatory guidance, and the partner's authorizing laws and regulations.
- Beyond these requirements, the Governor is free to choose any variable that is reasonable.

Step 5: Governor Determines Partner's Proportionate Shares

For each partner, the Governor must take into account:

- the partner's costs 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 legal requirements.

The Governor is encouraged to draw upon any proportionate share determinations, as well as other documents and information, made during the local negotiations that the Governor feels are useful.

Step 5 Continued

- 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 the 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 6: Governor Calculates Statewide Caps

- The Governor must calculate the statewide caps to determine the maximum amounts that required partners could be required to contribute toward 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 7: Governor Assesses Aggregate Total of Contributions

The Governor must ensure that the aggregate of applicable partner's infrastructure contributions do not exceed the statewide caps.

Exceeding the Statewide Cap

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 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 8: Governor Adjusts Proportionate Shares (if Necessary)

If the Local WDB, CEO(s), 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 partners' 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.

How are the SFM Statewide Program Caps Determined?

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5 Steps to Calculating the SFM caps.

Important Terms

- **Limiting Percentage** - the statutory percentages listed in WIOA sec. 121(h)(2)(d) that are applied to the total Federal funds received by a specific program in order to calculate the cap.
- **Maximum Potential Cap (MPC) –** the maximum amount that a program cap can be, only applicable if every Local Area within a State falls under the SFM.
- **Determining Factor –** factor used by Governor to reasonably indicate the use of one-stop centers.
- **Consensus Area Factor Percentage –** the percentage of the determining factor that can be attributed to Local Areas which reach consensus.

Cap Calculation: 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 **MPC**.

- Some Programs will use previous years' funding to determine the cap due to internal program funding allocation and reallotment methods.

Step 1 Formula

Step 1 can also be expressed through the following formula:

Limiting percentage x **total Federal Program funding** = **MPC**

Statutory Limiting Percentages

- WIOA title I programs (youth, adult, or dislocated worker) - **3%**
- Wagner-Peyser Act ES - **3%**
- AEFLA - **1.5%**
- Perkins IV - **1.5%** 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.
- VR - build from **0.75%** of the previous year's Federal funding in Program Year 2017, to **1.5%** in Program Year 2020 (and subsequent years)

Statutory Limiting Percentages Continued

- TANF - **1.5%** of funds from the previous year spent on work, education, and training activities, plus any associated administrative costs.
- CSBG - **1.5%** of funds from the previous year spent by local CSBG-eligible entities to provide employment and training activities, plus any associated administrative costs.
- YouthBuild; Job Corps; NFJP programs; SCSEP; TAA; UC; HUD employment and training programs; and programs authorized under sec. 212 of the Second Chance Act of 2007 - **1.5%**

Cap Calculation: Step 2

- The Governor selects a **determining factor** or factors that reasonably indicate the use of one-stop centers in the State.
- This could be, for example, total local population, concentration of wealth, or another factor that is applicable to the State's workforce dynamic.

Cap Calculation: Step 3

The Governor applies the determining factor(s) to *all* Local Areas across the State, and then determines the percentage of the factor(s) that is applicable to those areas that reached consensus, known as the **consensus areas' factor percentage**.

Cap Calculation: Step 4

Governor applies the **consensus areas' factor percentage** to the **MPC** to find the consensus areas' portion of the **MPC**.

Step 4 Formula

Step 4 can also be expressed through the following formula:

Consensus areas' factor percentage x **MPC** = **consensus areas' portion of the MPC**

Cap Calculation: Step 5

- The Governor subtracts the amount equal to the consensus areas' portion of the **MPC** from the **MPC**.
- The remaining amount is the applicable program cap for use in the Local Areas that have not reached consensus and are subject to the SFM.

Step 5 Formula

Step 5 can also be expressed through the following formula:

MPC – consensus areas' portion of the MPC = applicable program cap for non-consensus area(s)

REMEMBER!

- A statewide cap must be calculated for *each* program.
- The Statewide caps only apply to those partners in Local Areas that do not reach consensus.
- The statewide caps only apply to how much the governor can *require* partners to contribute. Partners are allowed to contribute beyond the cap amounts, as long as they adhere to the principle of proportionate share.

Hypothetical Application of the SFM

In this hypothetical State-funding mechanism exercise, the information below is relevant.

- There are three (3) Local Areas in the State,
  - Two (2) Local Areas reached agreement on infrastructure costs in their Local Area, and
  - One (1)Local Area did not reach consensus and notified the Governor.
- The four partner agencies from the local-funding mechanism activity will be utilized.
- The Governor has chosen to use the rental cost budget the Local Area developed ($225,820).
- The Governor selected total population as the **determining factor** and found that 70 percent of the State's population resides in Local Areas that have reached consensus, which is the **consensus areas' factor percentage**.

Hypothetical Application of the SFM

The information below provides the Federal partner funding amounts for the program year, along with the limiting percentages for the type of partner program:

Partners	Partner Federal Funding in PY 2017	Partner Limiting Percentages
Partner 1	$6,000,000	3 percent
Partner 2	$15,000,000	1.5 percent
Partner 3	$10,000,000	1.5 percent
Partner 4	$16,000,000	1.5 percent

Hypothetical Application of the SFM

Calculate each Program's Maximum Potential Cap (MPC)

- Apply the appropriate **limiting percentages** to the programs' **total Federal funding** to calculate each program's the maximum potential cap (**MPC**) for PY 2017 of:

Partner 1:	3% (.03) x $6,000,000 = **$180,000**
Partner 2:	1.5% (.015) x $15,000,000 = **$225,000**
Partner 3:	1.5% (.015) x $10,000,000 = **$150,000**
Partner 4:	1.5% (.015) x $16,000,000 = **$240,000**

Hypothetical Application of the SFM

Calculate each Program's Maximum Potential Cap (MPC)

- The Governor applies the **consensus areas' factor percentage** (70 percent) to the partners' **MPC**, resulting in the **consensus areas' portion of each partner's MPC**:

Partner 1:	.70 x $180,000 = **$126,000**
Partner 2:	.70 x $225,000 = **$157,500**
Partner 3:	.70 x $150,000 = **$105,000**
Partner 4:	.70 x $240,000 = **$168,000**

Hypothetical Application of the SFM

Calculate each Partner's Applicable Program Cap

- The Governor subtracts the **consensus areas' portion of the MPC** from the **MPC**, resulting in each partner's **applicable program cap** for the non-consensus area:

Partner 1:	$180,000 – $126,000 = **$54,000**
Partner 2:	$225,000 – $157,500 = **$67,500**
Partner 3:	$150,000 – $105,000 = **$45,000**
Partner 4:	$240,000 – $168,000 = **$72,000**

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 Local Areas, but rather in a manner determined by the Governor.

Hypothetical Application of the SFM

Governor Compares Partner Program CAPs to Proportionate Shares

- The Governor must ensure the proportionate share of the infrastructure costs that the Governor has determined would be required of each local partner in a non-consensus area, in aggregate, does not exceed the applicable program cap.

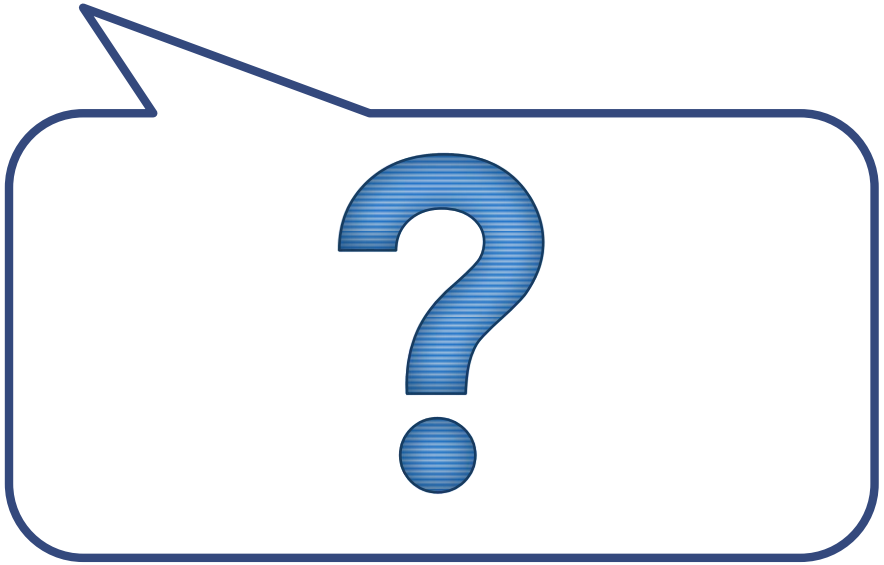
Partners	Partner Proportionate Shares	Applicable Program Cap for Nonconsensus areas
Partner 1	$51,938.60	**$54,000**
Partner 2	$45,164	**$67,500**
Partner 3	$32,179.35	**$45,000**
Partner 4	$96,538.05	**$72,000**

Hypothetical Application of the SFM

What happens when partner contributions exceed the Applicable Program Cap?

- If the aggregate total contributions exceed the cap, the Governor may either:
  - Inquire whether those local partner programs whose aggregate total contributions exceed the applicable program cap are willing to contribute beyond the applicable program cap up to their proportionate share; or
  - Allow the Local WDB, one-stop partners, and CEO(s) to:
    - Re-enter negotiations to reassess each one-stop partner's proportionate share, make adjustments and identify alternate sources of funding to make up the difference between the capped amount and the proportionate share of infrastructure funding of the one-stop partner; and
    - Reduce infrastructure costs to reflect the amount of funds available without exceeding the applicable program cap level.

Any Questions?



Contact Information

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For questions regarding the information in presentation, send an email to*:

DOL.WIOA@dol.gov

*Please use [INSERT TRACK TITLE HERE] as the subject line.

Thank you!