

YouthBuild Tip Sheet

Allowable Financial Benefits for Participants

DID YOU KNOW?

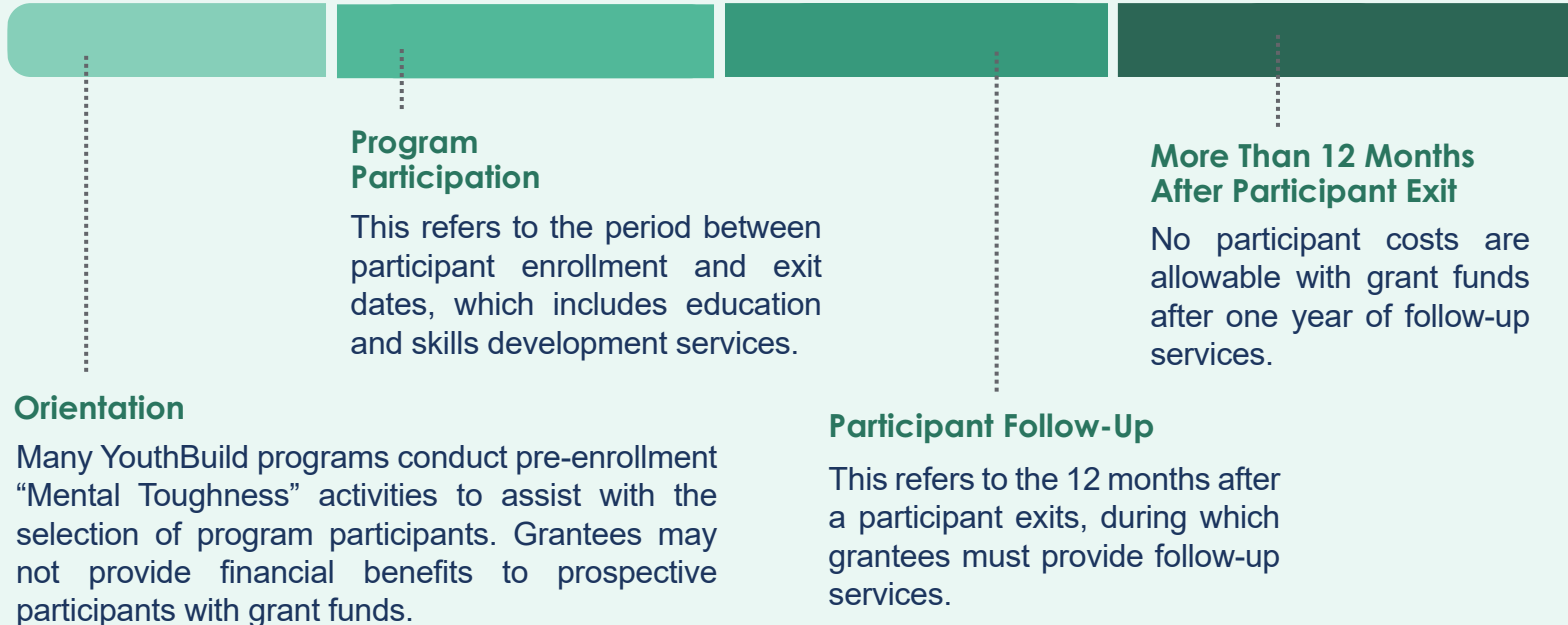
Current law and regulations allow YouthBuild grantees to provide financial benefits to participants through various methods: wages, stipends, needs-based payments, and incentives. While these methods are similar, they have important distinctions, including when they are allowable:

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Learn about the different types of allowable participant compensation.

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GRANT TIMELINE



For more information about allowable costs during orientation, see [Training and Employment Guidance Letter \(TEGL\) 14-09](#).

Wages and Stipends

The [Workforce Innovation and Opportunity Act](#) (WIOA) Section 171(c)(2) allows YouthBuild grantees to provide wages or stipends to participants.

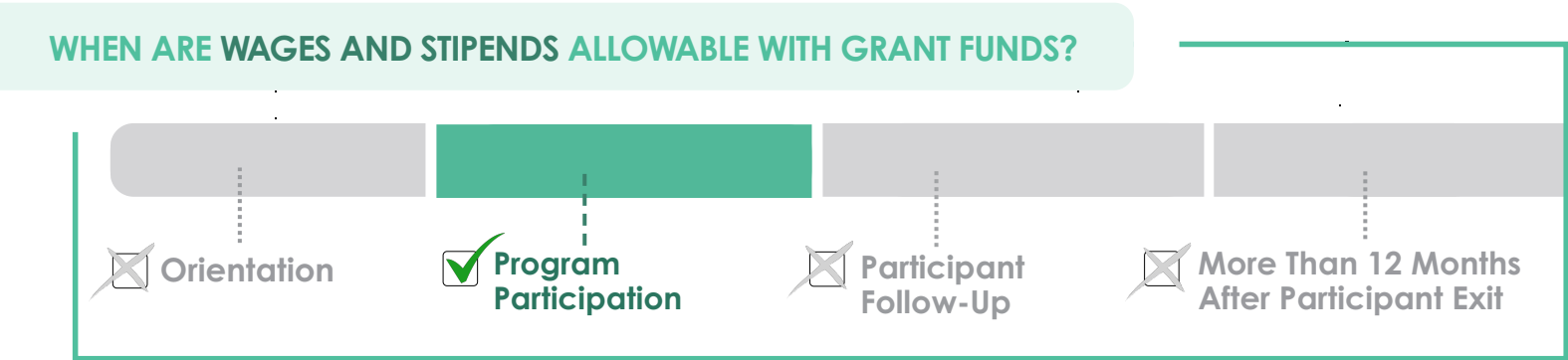
Wages can compensate youth at the same rates (including periodic increases) as employees or trainees in similar occupational fields (i.e., construction or Construction Plus), and rates must comply with all applicable laws.

Stipends can provide program participants with a regular living allowance designed to help with transportation, living expenses, daycare, etc.

IMPORTANT: There are legal and financial obligations that are activated when paying participants wages or stipends. The Department of Labor (DOL) encourages grantees to follow these steps before establishing or changing participant compensation procedures, at a minimum:

1. Obtain sound legal, accounting, and insurance advice to comply with IRS and DOL regulations.
2. Complete [IRS Form SS-8](#) to request a determination of whether participants are employees for federal employment taxes and income tax withholding purposes.
3. Determine if participant payments are subject to deductions. Generally, wages paid via payroll for employees are subject to deductions, while stipends processed via accounts payable for students are not.
4. Develop a written policy that applies to all participants fairly and ensure it is distributed to both staff and participants.

Grantees should also help participants determine their income tax liability. Generally, wages require IRS Form W-2, while stipends totaling at least \$600 for the year require IRS Form 1099-MISC.



Needs-Based Payments

YouthBuild regulations at [§ 688.120](#) define needs-based payments as additional payments beyond regular stipends for program participation that are based on defined needs that enable a youth to participate in the program.

[§ 688.320\(a\)\(7\)\(ii\)](#) requires YouthBuild grantees to have a written policy which:

- establishes participant eligibility for needs-based payments;
- establishes the amounts to be provided;
- describes the required documentation and criteria for payments, and;
- applies consistently to all program participants.

WHEN ARE NEEDS-BASED PAYMENTS ALLOWABLE WITH GRANT FUNDS?



*During Follow-up, [§ 688.560](#) allows grantees to use grant funds for college tuition assistance, scholarships to a registered apprenticeship or technical education program, and employer- or government-sponsored health programs.

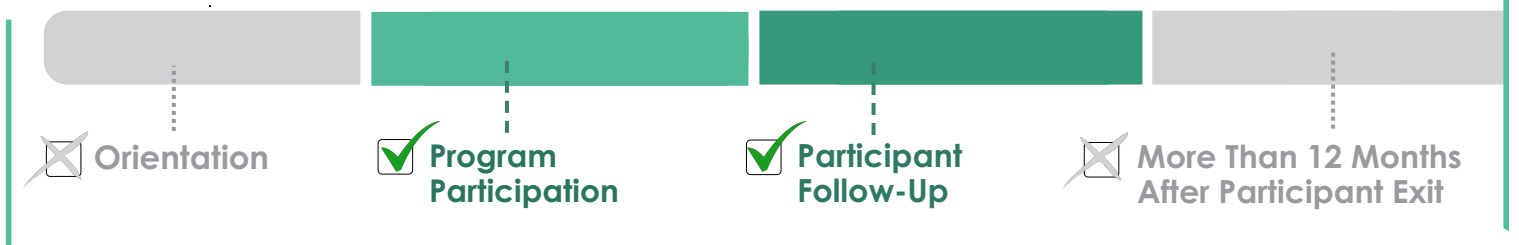
Incentives

[§ 688.570](#) permits grantees to provide incentive payments to youth participants for recognition and achievement directly tied to training activities and work experiences. Grantees must tie the incentive payments to the goals of the specific grant program and outline such goals in writing prior to starting the program that makes incentive payments.

Prior to providing incentive payments, the organization must have written policies and procedures in place governing the awarding of incentives, and the incentives provided under the grant must align with these organizational policies. Distribute related policies and procedures to all staff and participants, and periodically review to ensure that they address programmatic needs.

All incentive payments must comply with the requirements in Uniform Guidance at [2 CFR part 200](#).

WHEN ARE INCENTIVES ALLOWABLE WITH GRANT FUNDS?



Other Considerations

ELIGIBILITY FOR OTHER FEDERAL PROGRAMS

Per Section 181(a)(2) of WIOA, payments to YouthBuild participants do not count as income for the purpose of determining eligibility for and the amount of income transfer and in-kind aid provided to participants through any federal or federally assisted program, except as provided under the Social Security Act.

DAVIS-BACON

The Davis-Bacon and Related Acts (DBRA) apply to contractors and subcontractors performing on most federally funded or assisted contracts for the construction, alteration, or repair of public buildings or public works. DBRA contractors and subcontractors are required to pay their laborers no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area. YouthBuild participants are not exempt from prevailing wage requirement determinations for any project to which DBRA labor standards apply.

YouthBuild grantees typically encounter DBRA requirements when partnering with public housing authorities or other entities that build or renovate public housing funded by the U.S. Department of Housing and Urban Development (HUD). Several major HUD-administered laws that include DBRA requirements also set coverage thresholds, (i.e., a minimum number of housing units in the construction or renovation project). In such cases, the DBRA requirements do not apply unless a specific coverage threshold is met.

TEGL 11-16 and subsequent guidance direct YouthBuild grantees to contact local/regional HUD Labor Standards staff for assistance in determining the applicability of DBRA to specific projects. It is essential for YouthBuild programs to comply with federal wage requirements under DBRA when applicable. The HUD labor relations staff are regional experts who can help YouthBuild programs determine where DBRA prevailing wage rates apply. They can also specify the applicable Davis-Bacon wage determination(s) and clarify when YouthBuild participants may be allowed to work on federally assisted construction projects without the requirement for prevailing wage rates.