WORKFORCE SYSTEM POLICY (WSP) No. 06-PY2015, April 7, 2015

TO: PENNSYLVANIA WORKFORCE DEVELOPMENT BOARD
BUREAU OF WORKFORCE DEVELOPMENT ADMINISTRATION
BUREAU OF WORKFORCE PARTNERSHIP AND OPERATIONS
LOCAL ELECTED OFFICIALS
LOCAL WORKFORCE BOARD CHAIRS AND EXECUTIVE DIRECTORS
PA CAREERLINK® OPERATORS AND ONE-STOP PARTNERS

FROM: Robert O’Brien
Acting Deputy Secretary for Workforce Development

SUBJECT: Training Expenditure Targets and Definitions of Types of Training for Benchmarks

I. **Purpose.** To provide guidance and clarification regarding the minimum spending requirements, or training expenditure targets, introduced in the commonwealth’s WIOA combined state plan; further definition as to what constitutes participant training for such targets; and initial planning and implementation assistance for this requirement.

II. **References.**

- Public Law (Pub. L.) 113-128, *Workforce Innovation and Opportunity Act (WIOA)*
- 80 Federal Register 20689, *Workforce Innovation and Opportunity Act- Notice of Proposed Rulemaking*
- Training and Employment Guidance Letter (TEGL) No. 3-15, *Guidance on Services provided through the Adult and Dislocated Worker Program under the WIOA and Wagner Peyser, as Amended by WIOA, and Guidance for the Transition to WIOA Services*
- Training and Employment Guidance Letter (TEGL) No. 41-14, *WIOA Title I Training Provider Eligibility Transition*
- Training and Employment Guidance Letter (TEGL) No. 15-10, *Increasing Credential, Degree and Certificate Attainment by Participants of the Public Workforce System*
- Pennsylvania *Workforce Innovation and Opportunity Act Combined State Plan (PY 2016 – PY 2019)*
- Workforce System Policy (WSP) 01-2015, *Pennsylvania’s Workforce System of Record*

III. **Background.** The commonwealth has developed a “training expenditure target” requirement as a strategy to achieve the governor’s goal to increase the percentage of Pennsylvanians that have a postsecondary credential from 48% to 60% by 2025. A portion of the funds used to meet the training expenditure requirement must be expended on training individuals with barriers to employment, demonstrating the commonwealth’s commitment to focus resources on individuals who are traditionally more challenging to serve. Note: This directive is intended solely for the purpose of providing guidance in regard to the training expenditure targets and is not necessarily applicable to training definitions or acceptability otherwise.
IV. **Training Expenditure Targets.** The commonwealth will establish targets, or *benchmarks*, as the baseline for local workforce development area participant training expenditures. Training benchmark amounts will be established based on a percentage of WIOA title I funds allocated to a local area, excluding funds allotted for administration. Additionally, targets will be developed to establish the minimum spending requirements for providing training to low-income individuals and individuals with other barriers to employment. Targets and benchmarks are the Department’s minimum expectation, and as such, local boards may expend more than the target on the activities identified (herein).

While WIOA title I funds are used to establish the training expenditure benchmark, local boards may use other sources of funding to count toward the training expenditure targets. Examples of funding sources other than title I funds expended on the provision of participant training that may be used to meet spending requirements include: other federal funding sources such as vocational rehabilitation, TANF, national dislocated worker grants, and other federal discretionary grants; state funds such as Industry Partnership funds and state discretionary grants; and local funds such as county or city training programs, local industry partnership funds used for training and philanthropic funded training programs.

In Program Year (PY) 2016, the training benchmark will be calculated at 30 percent of Title I funding; in PY 2017, the training benchmark will be calculated at 40 percent of Title I funding; and in PY 2018 and thereafter, the training benchmark will be calculated at 50 percent of Title I funding. Additionally, in PY 2016, at least 50 percent of funds utilized to meet the training benchmark must be spent on low-income individuals and individuals with other barriers to employment, with the percentage rising to 60 percent in PY 2017 and 70 percent in PY 2018 and thereafter.

**TABLE IV.1 – Pennsylvania’s Established Benchmarks for Local Workforce Development Area Training Expenditures**

<table>
<thead>
<tr>
<th>Program Year (PY)</th>
<th>Percentage of a local area’s WIOA allocation used to determine the amount a local area will expend on training services</th>
<th>Percentage of the amount a local area will expend on training services that will be expended on training individuals with barriers to employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>2017</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>2018 (and each PY thereafter)</td>
<td>50%</td>
<td>70%</td>
</tr>
</tbody>
</table>

*Example:* A local area receives a WIOA allocation of $900,000 (Youth, Adult and Dislocated Worker) for PY 2016. In this case, the local area’s expenditure target for training services, minus 10% for administration, is $243,000 (30%). The target for such funds to be expended on low-income individuals and individuals with barriers to employment would be $121,500 (50% of $243,000).

V. **Training Expenditure Reporting.**

A. **Commonwealth Workforce Development System (CWDS).** *Pennsylvania’s Workforce System of Record Policy* (WSP 01-2015) indicates that CWDS is the management system of record used for all workforce data collection and reporting within the Department of Labor & Industry (Department). Therefore, all training services, their respective funding source(s) and applicable participant data must be entered into CWDS in order to be counted toward the local area’s training expenditure target.

B. As described in the previous section, training expenditure targets are established based on the WIOA title I (adult, dislocated worker and youth) funds allocated to a local area; however, the Department may consider all types of training services entered into CWDS by the local area, to include “other than
WIOA title I-b training services and other-than-WIOA funding sources to determine if a local area has met their expenditure benchmark.

- **Additional Training Services.** CWDS will be developed to capture all types of training services included and defined within this guidance. For a training activity not included and/or defined in this guidance, local boards may request such activity be considered an allowable type of training service to count toward the local area’s training expenditure benchmark. If such a request is approved, CWDS will be developed to capture the applicable training service, and be added to the list of acceptable services to be counted toward a local board’s training benchmarks.

- **Additional Funding Sources.** CWDS will be developed to capture all allowable types of training services and their funding sources. Any funding source of an approved type of training service that is not able to be captured in CWDS must be made accessible to the Department for monitoring/tracking until such time as CWDS is developed to capture said funding source, training service and participant data. Such funding source data, if not yet built into CWDS, must be made available to the Department and must include at a minimum: the funding source’s total allocation; the percentage of those funds used only for the provision of training; dates training was provided; as well as data on the individuals who received training, to include participant characteristics.

- **Participant Tracking.** CWDS will be developed in such a way as to allow for the tracking and capture of participant data, to include participant characteristics that may be considered barriers to employment (as defined in WIOA). Any participant who receives a training service to be considered toward the training expenditure benchmark must be registered in CWDS, and such a participant must be attached to the appropriate type of training service and its corresponding funding source.

**Example:** A local area receives an award from a private foundation, called “ABC Foundation,” for $100,000 to train individuals who have a variety of barriers to employment. In this case, ABC Foundation’s award (the funding source) is not built into CWDS, the type of training service is not built into CWDS, and the individuals who are to receive training may or may not be registered. In order for any of the funds from the ABC Foundation award to be counted toward a local area’s training expenditure target, the local board must: 1) request the training activity be included on the list of allowable training services (for the purposes of the expenditure benchmark); 2) provide the Department access to data details of the ABC Foundation award (to be used for monitoring/tracking until such time as CWDS is developed to capture ABC Foundation’s award data); and 3) provide the required data on all individuals participating in the ABC Foundation funded training via a tracking sheet until such time that CWDS may accommodate the information.

**Note:** Failure to report training expenditures appropriately may result in such costs being barred from consideration toward the local area’s benchmark.

**VI. Definitions.** The attached appendix provides a list of definitions pertinent to training expenditure targets that may be provided within a local workforce development area. In addition to those services listed in the appendix, local boards may request that certain activities not currently defined as an allowed training activity be included as such for the purposes of this requirement. All such requests must be submitted to the Department at the following resource account: RA-LI-BWDA-Policy@pa.gov. Requests must include a statement that clearly identifies the service and/or activity to be included and a narrative that supports such a request.
VII. **PY 2016 Transitional Regional/Local Plans.** The Department issued Workforce System Guidance No. 05-2015, *Regional and Local Planning—Implementation of the Workforce Innovation and Opportunity Act*, on December 23, 2015, and, subsequently, the modified Workforce System Guidance No. 05 – 2015, Change 1, on February 29, 2016. In the latter transitional plan guidance, the Department stipulates local boards must describe how training services will be provided in the local area, and how those services will align with and/or support the governor’s vision. While local boards are not required to address how training will be provided in relation to meeting the established training expenditure benchmarks in transitional plans the multi-year plans must address their respective strategies in meeting is requirement.

VIII. **Effective.** July 1, 2016.

*Note:* The commonwealth will reassess training benchmarks and training funds targeted to individuals with barriers to employment on an annual basis.

IX. **Contact Entity.** A training target technical assistance group has been established to support local areas and their service providers in meeting the benchmarks and allow for the sharing of best practices. Requests and/or inquiries related to this guidance should be forwarded to the Pennsylvania Department of Labor & Industry, Bureau of Workforce Development Administration via the following resource account: RA-LI-BWDA-Policy@pa.gov

X. **Rescissions.** None

XI. **Accessibility.** Workforce system directives are available on the PA Department of Labor website at http://www.dli.pa.gov for downloading.

XII. **Attachments.**

- Appendix: Definitions –Types of Training Services for the Expenditure Targets
Appendix: Definitions – Types of Training Services for the Expenditure Targets

I. **Local Workforce Development Area Training Services.** Per the Department’s Workforce System Policy 04-2015 Eligible Training Providers regarding WIOA title I-B funded training – a program of training services is defined as one (1) or more courses or classes, or a structured regimen that leads to a recognized post-secondary credential, secondary school diploma or its equivalent; employment; or measurable skill gains toward such a credential or employment. These training programs may be delivered as stackable services and could be provided in-person, online, or in a blended approach.

The main distinction between a program of training service and a type of training service, for the purpose of this guidance, is that a program of training service is a specific training service, such as Penn State University’s Certified Nursing Assistance (CNA) program; whereas a type of training service is the classification a specific program belongs to.

*Note:* Local boards may request, following the process described in Section VI of this guidance, that a certain activity not currently defined herein as an allowed type of training service may be included as such and count toward the training expenditure targets.

The definitions provided in the section to follow (Section II.) are intended solely for the purpose of defining the types of training services that may be counted toward local area training expenditure targets and are not necessarily applicable to federal or state training definitions or acceptability otherwise.

The subsections that follow describe the categories of training services:

A. **Customer-Centric Training.** Training programs and services that are driven by consumer choice, require the use of individual training accounts (ITAs), and, with the exception of registered apprenticeships, are subject to the requirements of the statewide eligible training provider list (ETPL).

B. **Employer-Centric Training.** A local board may contract for work-based training programs and services. These programs and services are primarily employer-driven and are not subject to the requirements of the ETPL; however such opportunities are subject to the requirements of the local training provider list (LTPL).

C. **System-Centric.** System-centric programs and services are tools that allow local boards to strategically move the local workforce system forward in meeting its goals and vision. Additionally, such resources create flexibility and innovation in responding to the needs of both consumers and employers. Under limited conditions, a local board may contract for these services rather than using a system of ITAs when:

- There are insufficient providers; or
- There is a training services program with demonstrated effectiveness offered in the local area by a community-based organization or other private organization to serve individuals with barriers to employment; or
- It would be most appropriate to award a contract to an accredited institution of higher education or other eligible provider of training services in order to facilitate the training of multiple individuals in in-demand industry sectors or occupations, and such contract does not limit customer choice; or
- When a local board provides training services through a pay-for-performance contract.
II. Definitions of Training Services for Expenditure Targets.

• **Adult Education and Literacy (AEL) in Combination with Occupational Training.** This type of training service must include English language acquisition, integrated education and training programs, and activities provided concurrently or in combination with any of the following: occupational skills training; on-the-job training; incumbent worker training; co-op training; skill upgrading and retraining; and entrepreneurial training.

AEL in combination with occupational training is typically conducted in an institutional (i.e., classroom) setting designed to upgrade basic educational skills in preparation for future training, future employment, or retention in present employment. This type of training may include such curriculum as remedial reading, writing, mathematics, literacy training and study skills, English for non-English speakers, bilingual training, and high school equivalency preparation.

• **Apprenticeship.** A combination of on-the-job training and related instruction in which workers learn the practical and theoretical aspects of a highly skilled occupation. Apprenticeship programs can be sponsored by individual employers, joint employer and labor groups, and/or employer associations, but are not recognized as “registered apprenticeships.”

*Note:* There are distinctions between apprenticeship and “registered apprenticeship” and as such will be captured and classified as separate services.

• **Cohort Training.** An allowable program of training services wherein multiple individuals receive training for an in-demand industry sectors or occupations. Such training requires a local board contract and must ensure customer choice is not limited by such a contract.

• **Combined Occupation and Job-Readiness Training.** Requires the combination of job-readiness career services and any of the following training services: occupational skills training; on-the-job training; incumbent worker training; cooperative education training; skill upgrading and retraining; entrepreneurial training; and transitional employment. Job-readiness activities are considered career services, not training services, and as such must include one (1) or more of the aforementioned training services to be considered an approved training service and count toward training expenditure targets. If training is involved with occupational skills training.

  o **Job-Readiness.** Job-readiness (also known as work-readiness, career-readiness and prevocational services) is an activity designed to prepare individuals for unsubsidized employment or training. Such activity is provided for the development of the same skills sets that one would acquire through work experience (e.g., communication skills, conflict management skills, critical thinking skills, problem-solving skills, soft skills, etc.). This type of instruction focuses on job-attainment and job-retention skills, and may be augmented based on employer recommendations, often as a result of identified shortcomings of job applicants.

*Note:* WIOA classifies job-readiness as a career service but distinguishes and associates similar activities such as “work experience” and “pre-apprenticeship” with youth. In all of these instances such preparatory services are not considered training services. Solely for the purposes of the training expenditure targets, pre-apprenticeship programs may be considered an allowable type of training service to count toward local area benchmarks if provided in combination with any of the following training services: occupational skills training; on-the-job training; incumbent worker training; cooperative education training; skill upgrading and retraining; entrepreneurial training; and transitional employment.
o **Pre-Apprenticeship.** A program or set of strategies designed to prepare individuals to enter and succeed in a registered apprenticeship program that includes a documented partnership with one (1) or more registered apprenticeship program(s). Pre-apprenticeship training as a stand-alone activity is considered an element of the youth program but for the purposes of this training service definition is considered a job-readiness career service.

Pre-apprenticeship programs are for workers who may not have the fundamental skills to succeed in a registered apprenticeship program; and youth who are exploring career options. Such programs operate an approved plan under which candidates participate in a short, intensified training period in a school or training center, with the intent to place them into registered apprenticeships upon completion or soon after completion of the program. These training programs help apprenticeship candidates decide on an occupational track, develop foundational skills, and improve productivity once employed.

- **Cooperative Education Program (Co-op).** Combined classroom-based education with practical work experience. A cooperative education experience may provide academic credit for structured job experience in the individual’s major field of study or career focus.

- **Customized Training (CT).** Training provided to meet special requirements of an employer or group of employers that is defined by a contract, for which the employer(s) pays a significant portion of the cost as determined by local policy, and includes a commitment by the employer(s) to employ an individual upon successful completion of the training.

- **Entrepreneurial Training.** Programs designed to assist qualified individuals who are interested in starting a business and becoming self-employed. Such training programs and services must incorporate the basics of starting and operating as a business.

- **Incumbent Worker Training (IWT).** Training provided to an incumbent worker that is designed to meet the needs of an employer(s) to retain a skilled workforce or avert the need to lay off employees; increase the competitiveness of the employer or employee; and be conducted with a commitment by the employer to retain or avert the layoffs of the incumbent worker trained. Employers receiving funds for IWT are required to pay for the non-federal share of the cost of providing such training. Such training may also include the up-skilling of an employer’s current workforce, which may lead to additional opportunities for potential jobseekers. IWT must lead to an in-demand occupation (as determined at the local level), but does not necessarily have to lead to a high-priority occupation (HPO). However, as all HPOs are also in-demand occupations, such occupations are eligible for incumbent worker training.

An incumbent worker is an individual who is employed, meets Fair Labor Standards Act requirements for an employer-employee relationship, and has an established employment history with the employer for six (6) months or more. Additional information on IWT may be found in Workforce System Guidance 06-PY 2015, *Incumbent Worker Training Activities – Initial Implementation of the Workforce Innovation and Opportunity Act.*

- **Industry Partnership Training.** This type of training involves industry partnerships bringing together multiple employers, workers, worker representatives and other partners in targeted industry clusters to provide employer-driven, consortium-based worker training in high-priority occupations.
- **Occupational Skills Training.** An organized program of study that provides specific vocational skills that lead to proficiency in performing actual tasks and technical functions required by certain occupational fields at entry, intermediate, or advanced levels. Priority consideration must be given to training programs that lead to recognized post-secondary credentials that align with in-demand industries or occupations in the local area.

- **On-the-Job Training (OJT).** Training by an employer that is provided to a paid participant while engaged in productive work in a job that provides knowledge or skills essential to the full and adequate performance of the job; is made available through a program that provides reimbursement to the employer a percentage of the wage rate of the participant; and is limited in duration as appropriate to the occupation for which the participant is being trained, taking into account the content of the training, prior work experience of the participant, and the service strategy for the participant.

- **Pay-for-Performance Training.** This type of training service occurs when a pay-for-performance contract is used to provide one (1) or more of the training services included herein.

  Any pay-for-performance contract for training services must specify the fixed amount that will be paid to an eligible training provider and be based on the specified levels of performance achieved within a defined timetable (as determined by the local board). Providers contracted through this type of agreement and their performance outcomes must be included on the local eligible training provider list as described in the commonwealth’s eligible training provider policy (WSP 04-2015). Pay-for-performance training contracts must require providers to submit at a minimum all of the performance data required by the U.S. Department of Labor and the aforementioned state policy. Such contracts may be based on the primary indicators of performance as described in WIOA Section 116(b)(2)(A) for target populations, to include individuals with barriers to employment, and may provide for bonus payments to applicable training providers in order to expand capacity in the provision of effective training.

- **Skill Upgrading and Retraining.** Adult and dislocated worker training created to upgrade the current skills of a participant and/or retrain such a participant in a new industry and/or occupation. Providers of skill upgrading and retraining services should demonstrate that completion of this type of training will result in the acquisition of transferable skills and/or an industry-recognized certification or credential. Skill upgrading and retraining may prepare persons for entrance into a new occupation through instruction in new or different skills demanded by technological changes; provide skills upgrading to participants in specific skills needed by a particular business or industry and that lead to potential career growth and increased wages; and develop professional competencies that are particularly relevant to a specific vocational/occupational goal.

- **Transitional Employment.** Subsidized work experience that is time-limited and designed to assist a participant with barriers to employment who is chronically unemployed or has an inconsistent work history establish a work history, demonstrate success in the workplace, and develop the skills that lead to entry into and retention in unsubsidized employment.

  If a local area chooses to use transitional jobs as part of their service delivery strategy, the local board must adopt policies and identify employers (public, private or nonprofit) that can provide quality experiences for individuals to eventually obtain unsubsidized employment. Additionally, these policies must include plans on the amount reimbursements would be for the jobs, what supportive services should be included, and any limits on the duration of the transitional job.
• **Workplace Training with Related Instruction.** Planned, structured training that takes place in a workplace setting for a limited period of time. Such training must be based on specific needs identified through assessment and documented within the participant’s individual employment plan (IEP) or individual service plan (ISS) and must combine workplace training with classroom/formal instruction relating to a particular position, occupation, industry or basic skills and abilities to successfully compete in the local labor market. This type of training may include cooperative education programs and may serve as an intermediate step toward the long-term goal of moving along a career path.

Both elements, workplace training (or “work experience”) and formal related instruction, must be present in order to satisfy the definition of this type of training service. Work experience is a service primarily provided to youth participants; may be paid or unpaid; may include job-shadowing, internship services, pre-apprenticeship programs and OJT; may be conducted in the private-for profit, private non-profit and public sectors, but may not take place within public service employment as such activity is a prohibited activity under the WIOA.

By itself, career preparatory activities/career services as mentioned above (to include soft skills training; job-readiness training; pre-apprenticeship training; and work experience) will not be classified as a training service, nor count toward meeting the training benchmark unless combined with occupational training as indicated above.

III. **Training Costs.** The types of training costs provided in the subsection to follow are intended solely for the purpose of identifying the types of training costs that may be counted toward local area training expenditure targets and are not necessarily applicable to federal or state training definitions or acceptability otherwise.

A. **Allowable Training Costs.** Only the direct costs associated with the types of training services defined herein (i.e., adult education and literacy (AEL) in combination with occupational training; apprenticeship; cohort training; combined occupation and job-readiness training; cooperative education program; customized training; entrepreneurial training; incumbent worker training; industry partnership training; occupational skills training; on-the-job training; pay-for-performance training; registered apprenticeship; skill upgrading and retraining; transitional employment; and workplace training with related instruction) may be counted toward training benchmarks.

- Tuition for participant occupational skills training;
- Employer reimbursements for approved work-based training types (e.g., on-the-job training);
- Work experience wages, when combined with related instruction (as appropriate);
- Transitional employment wages;
- Costs of work experience or workplace training if combined with classroom-based instruction;
- Costs of adult education and literacy activities, if provided in combination with occupation training;
- Only those costs involved directly in the training portion of allowable pay-for-performance training and cohort training contracts;
- Costs of job-readiness services, only if provided in combination with occupation training, and only if at least 50 percent of the funds spent to provide this type of combined training were expended on the participant occupational training portion; and
- Costs spent directly on the provision of the following types of participant training:
  - Apprenticeship and associated classroom instruction; entrepreneurial classroom instruction;
  - Industry partnership-funded training; skill upgrading and retraining; and
  - Incumbent worker training (excluding the non-federal employer payment share).
B. **Other Costs.** The following are examples of types of costs that will not be counted toward training benchmarks:

- Any indirect training costs (e.g., office supplies);
- Costs for training related materials and supplies (e.g., books);
- Costs associated with obtaining an occupational certificate (e.g., tests and fees);
- Supportive services (e.g., transportation costs);
- Needs related payment (e.g., stipends);
- Incentives (e.g., gift cards for the completion of a training program);
- Costs associated with local workforce (board, partners and intermediaries) staff time, materials, supplies, overhead in the provision of career services and services leading toward the provision or preparation for training (e.g., assessment or pre-tests required to participate in any of the types of training services described herein; career planning and job-readiness activities)

*Note:* All training programs and services provided using WIOA title I-B funds are still governed by the commonwealth’s eligible training provider policy (WSP 04-2015) and applicable federal and state statute and regulations. However, local boards may request, using the process described in **Section VI** of this guidance, that a certain cost not currently included in this guidance as an *allowed training cost* may be included as such to count toward the local area training expenditure targets.