

TULARE COUNTY WORKFORCE INVESTMENT BOARD, INC. WORKFORCE INVESTMENT ACT TITLE I ACTIVITIES	DATE: October 8, 2001
	SUBJECT: Program Income

WIB DIRECTIVE

WIBD-01-2

TO: WIB Service Providers

SUBJECT: PROGRAM INCOME

EXECUTIVE SUMMARY:

Purpose:

This directive provides guidance on the federal requirements regarding Workforce Investment Act (WIA) program income.

Scope:

This directive requires that all contractors expending Tulare County WIB Administered WIA funds shall comply with federal laws and regulations regarding program income.

Effective Date:

This directive is effective upon release.

REFERENCES:

- WIA Section 195(7)
- Title 20 Code of Federal Regulations (CFR) Section 667.200(a)(5) through (8)
- Title 29 CFR Sections 95.22(k), 95.24, 97.21(i), and 97.25
- Office of Management and Budget Circulars (OMB) A-102 and A-110

REQUIREMENTS:

This directive contains only federal requirements.

BACKGROUND:

The WIA and its regulations, Title 20 CFR Part 652 et al., provide specific guidance regarding what constitutes program income. Under WIA, more sources of revenue are considered program income. Tulare County Workforce Investment Board Inc. contractors should be aware that program income for WIA differs from Welfare-to-Work program income in two areas. The WIA permits fee-for-service for employer incumbent worker training, and includes interest income as program income. The addition method must be used on all program income earned.

POLICY AND PROCEDURES:

Definition:

Program income means gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award. Program income includes, but is not limited to: income from fees for services performed, the use or rental of personal property acquired under federally funded projects, the sale of commodities or items fabricated under an award, and license fees and royalties on patents and copyrights. Except as otherwise provided in federal awarding agency regulations or the terms and conditions of the award, program income does not include the receipt of rebates, credits, discounts, etc., or interest earned on any of them.

Policy:

Under the addition method, the contractor tracks the program income generated, subtracting the cost of generating the income. The resulting net program income is added to the WIA contract award. If the costs for generating program income were charged to the program, the gross income is added to the program. However, the actual program income must be determined regardless of the method for charging the costs of generating the income. The program income available for program activities is not formally amended into the contract amount.

Net program income is reported separately to the State and by the State to the Department of Labor. At the end of the contract, any unexpended funds are treated as a reduction in federal expenditures and the excess federal funds are returned at that time. The excess is returned to the federal government via the WID and the State.

Title 20 CFR 667.200(a)(8) permits the use of local area services, facilities, or equipment funded under Title I of WIA to provide employment and training activities to incumbent workers on a fee-for-service paid by their employers. This may only occur as long as eligible participants are not using or would not use the facilities, services, or equipment. Income from these activities is treated as any other program income.

Prior to WIA implementation and the One-Stop delivery system, program income usually resulted from program operations such as products generated by training providers. This made it easy to identify the resources used to generate the income and the applicable funding period for reporting the income. Under the One-Stop system, one partner frequently buys equipment and permits its use by the other partners for a fee. This income is often generated over a longer period than the availability of the funds that paid for it.

Program income generated during the life of a specific allocation must be expended before the end of the availability of the funds. Any unexpended funds must be returned. Program income generated from WIA equipment, or other WIA assets, after the funding period of the funds that paid for the equipment, is reported on an open year and must be spent prior to the end of the availability of those funds. Program income earned after the end of the WIA program may be retained by the entity that earned the income.

For the following example, funds are available for two years and the local area does not closeout prior to the end of the second year. An example of ongoing program income and its reporting and expenditure requirements is the purchase of a copier with a five-year life.

In Program Year (PY) 1, a local area purchases a copier with 100 percent WIA PY 1 funds. Partners pay \$100 in use fees during PY 1 and pay \$250 during PY 2. The total, \$350, must be reported as income on the PY 1 reports and must be expended prior to the end of the life of the PY 1 funds which is the end of PY 2. Partners pay \$200 in PY 3 for use of the copier. During PY 3, both PY 2 and PY 3 funds are available. The local area

may report the \$200 in PY 2 or PY 3 and the \$200 must be expended before the expiration of the availability of the funds. If reported on PY 2's fiscal report, the program income must be expended by the end of PY 3. If reported on PY 3's fiscal report, the program income must be expended by the end of PY 4.

Under WIA, any excess revenue over costs incurred for services provided by governmental or nonprofit entities is program income.

The cash-on-hand from program income must be liquidated before requesting additional cash.

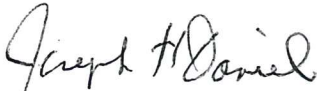
Allowable expenditures for program income are the same as those for the grant or award. The administrative cost limit does not apply to program income. The administrative cost limit for the program is calculated based on the total allocation or grant amount, not on the amount available for expenditure that includes program income.

ACTION:

Bring this directive to the attention of all affected contractors and staff.

INQUIRIES:

Please direct inquiries about this directive to the Tulare County Workforce Investment Department Administrative Office at (559) 713-5200.



Joseph H. Daniel
Administrator

JHD:BC:mb

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