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INCENTIVES AND STIPENDS	

PURPOSE:

This policy implements and interprets State of Oregon and Federal WIOA requirements governing the use of incentives and stipends for WIOA enrolled youth, adults, and dislocated workers while conducting the business of the SOWIB area. It is intended to establish the use of incentives and stipends as a service strategy available to all WIOA providers in the SOWIB area.

BACKGROUND:

Incentives and stipends are a key form of positive reinforcement to sustain motivation and provide encouragement, especially when tied to benchmarks such as earning academic credentials or acquiring specific competencies. They also can be an important source of support to meet the economic challenges these participants face. Incentives can motivate individuals toward completing various grant related activities.

REFERENCES:

Workforce Innovation and Opportunity Act, Pub. L. 113-128
 29 U.S.C. 3101 et seq
 2 CFR 200

DEFINITIONS:

Incentive: An incentive is a payment to a WIOA or other grant funded participant for the successful participation and achievement of expected outcomes as defined in a participant’s individual employment plan (IEP) and individual service strategy (ISS). The incentive must be linked to an achievement and must be tied to training and education, work readiness skills and/or an occupational skills attainment goal as identified in the ISS or IEP. Such achievements must be documented as the basis for an incentive payment. While incentives are exempt from social security withholding, the participant may have to pay income taxes on incentive payments.

Stipend: A Stipend is a fixed small payment made to a WIOA or other grant funded participant during his/her enrollment to encourage the participant to engage in certain activities. The stipend can be used for activities such as classroom instruction, internships or apprenticeships. A stipend is a payment made to a participant for living or other expenses and may not be based on wages for hours worked. Although the terms "stipend" and "salary" are often used interchangeably when

providing a stipend, the U.S. Department of Labor has specific criteria that must be met to pay a stipend for a work-based learning activity. The work-based activity for which a participant receives a stipend must focus on training rather than employment. The placement must be predominantly for the benefit of the participant, not the employer. The participant cannot be entitled to a job at the end of training or displace regular employees. The trainee and the employer must both acknowledge that the participant isn't entitled to wages for time spent in the activity for which the stipend is issued. Because the stipend is not a wage, it is exempt from minimum wage requirements and social security withholding. However, a stipend is still considered taxable income and the participant should be prepared for the possibility that s/he may have to pay income taxes on the stipend. Participation in the activity must be documented as the basis of stipend payments.

POLICY:

It is the policy of the Southwestern Oregon Workforce Investment Board to utilize the provision of incentives and/or stipends as provided in the WIOA. No more than \$2500 may be expended on incentives and/or stipends for a WIOA or other grant funded participant.

Stipends and incentives must be necessary, reasonable, and allowable. Any use of stipends or incentives to participants must, at the very least, meet these criteria.

Every incentive or stipend awarded must have a clear connection to a specific participant goal as documented in their ISS or IEP. There must be clear goals and expectations set forth as to what the participant must do to earn an incentive award or stipend.

Incentives may be provided to those participants who successfully benchmark from one (1) significant activity to another. Programmatic progress as such shall be measured and evaluated by service provider staff during the tenure of the activity. Incentives that are tangible, such as store gift cards, gas cards, etc. must be kept in a secure location and the form of incentive that was used and the date of issuance must be documented. Additionally, an auditor must be able to see, through source documentation, who received the incentive, and why. Participants should sign off and date on any incentive/stipend received. Common examples of incentives are to award gift cards to completers of work readiness programs in order to purchase interview-appropriate attire or a to provide a small monetary award for perfect attendance in class.

Stipends may be awarded to those participants who are engaged in classroom based and/or work based learning. As with incentives, the reason for the stipend, amount, dates issued and progress toward the goals related to the stipend must be documented such that an auditor would be able to determine who received the stipend and why. Examples of stipends include paying

participants a set sum to support living expenses while in training or engaged in a work-based activity, such as an internship.

Under 2 CFR part 200, Federal funds may not be spent on entertainment costs. Therefore, incentives may not include entertainment, such as movie or sporting event tickets or gift cards to movie theaters or other venues whose sole purpose is entertainment.

Any service provider intending to issue stipends and/or incentives must have established clear, auditable guidelines outlining the process by which the determination to award incentives or stipends will be made, the process for making an award, and the documentation that must be maintained for the award. These guidelines should include assurance that appropriate income tax documentation will be provided to participants as per IRS guidelines. The guidelines should also require staff to discuss the potential tax implications of the award of incentives or stipends, as appropriate with participants prior to the receipt of such awards.

ELIGIBILITY

An eligible participant must be WIOA (Title I, II, III and or IV) enrolled or meet other grant criteria, having initiated an ISS or IEP, and met all WIOA or other grant required eligibility. The participant must be in good standing, fully participating in necessary activities, demonstrating adequate follow-through.

DOCUMENTATION

Stipends and incentives may be awarded providing that the provision of an incentive or stipend is included in the ISS or IEP. At a minimum, the following documentation must be maintained:

- The ISS or IEP must specify the goal that must be met in order to qualify for the incentive.
- The ISS or IEP must document the need for a stipend and specify what the participant must do in order to receive a stipend.
- Documentation for payment of stipends.

To qualify for an incentive, a copy of the required documentation verifying completion should be retained.

INQUIRIES

Questions regarding this policy should be directed to the Executive Director of SOWIB.