	<i>Effective Date:</i> 3.29.21	<i>Type:</i> <input checked="" type="checkbox"/> Policy <input type="checkbox"/> Procedure	Page 1 of 2
	<i>Revised Date:</i> 02.15.21	<i>Section # &amp; Title:</i> 100 General Administration	
Phoenix Business and Workforce Development Board (approval authority)	<i>Date Approved:</i> 3.28.21	<i>Subject # &amp; Title:</i> .103 WIOA Program Income Policy	

**I. APPLICABILITY/SCOPE**

This policy applies to all subrecipients performing Workforce Innovation and Opportunity Act (WIOA) Title IB funded workforce development services on behalf of the Phoenix Business and Workforce Development (PBWD) Board.

**II. PURPOSE**

The purpose of this policy is to define program income, distinguish between what program income is and is not, and provide parameters for the managing of income that is directly generated by a supported activity or earned because of an award under the WIOA Program. This includes providing guidance on the proper methods of calculating, using, and meeting and applying program income requirements under WIOA.

The City of Phoenix (City) Human Services Department, Management Services Division is a recipient of federal funding under the Workforce Innovation and Opportunity Act (WIOA) that was signed into law on July 22, 2014. The WIOA program is designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy. All recipients of funding under WIOA must comply with the program income requirements as provided by the U.S. Department of Labor (DOL) Employment and Training Administration (ETA) and the Arizona Department of Economic Security (ADES).

The City of Phoenix, Human Services Department, Management Services Division, serves as the Fiscal Agent on behalf of the PBWD Board.


**III. BACKGROUND**

The WIOA was created to provide state and local areas the flexibility to collaborate across systems in an effort to better address the employment and skills needs of current employees, jobseekers, and employers. In carrying out this vision, it is often necessary for the City or subrecipients to provide goods and services for fees which enhance, promote, or support its service functions. At the same time, they must be mindful that when it provides goods and services for fees it may be competing with local private businesses. Non-Federal entities are encouraged to earn income to defray program costs where appropriate as stated in the Code of Federal Regulations (CFR) 200.307(a).

**IV. DEFINITIONS**

Program Income - Gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in §200.307 paragraph (f). (See §200.77 Period of performance.) Program income includes, but is not limited to, income from fees for services performed, the use or rental or real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. See also §200.407 Prior written approval (prior approval). See also 35 U.S.C. 200– 212 “Disposition of Rights in Educational Awards” applies to inventions made under Federal awards. [78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75880, Dec. 19, 2014]

Subrecipient - A Non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program but does not include an individual that is a beneficiary of such program.

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**V. POLICY**


The PBWD Board will utilize the City of Phoenix Human Services Department **#2017-03 WIOA Program Income Policy** revised March 30, 2020 provides the authority related to policy, guidelines and procedures in performing associated tasks and functions. Refer to the mentioned policy document associated with this function in the Attachments section of this policy.

**VI. POLICY MANAGEMENT REQUIREMENTS**

Administrative revisions to the policy may be made by the Phoenix Business and Workforce Development (PBWD) Board Executive Director, with notice to the PBWD Board’s Executive Leadership Committee. All other substantive revisions will go to the PBWD Board’s Executive Leadership Committee for review and recommendation to the PBWD Board for approval.

**VII. ATTACHMENTS**

1. City of Phoenix, Human Services Department #2017-03 WIOA Program Income Policy

 <p style="text-align: center;"><b>City of Phoenix</b> <b>HUMAN SERVICES DEPARTMENT</b></p>	<p style="text-align: center;"><b>WORKFORCE INNOVATION AND OPPORTUNITY (WIOA) PROGRAM INCOME POLICY</b></p> <p><b>Policy #: 2017-03</b> <b>Effective Date: <u>04/18/2017</u></b> <b>Rev. <u>03/30/2020</u></b></p>
<p>Approval Authority</p>	<p>Marchelle Franklin, Human Services Director</p>

The City of Phoenix (City) is a recipient of federal funding under The Workforce Innovation and Opportunity Act (WIOA) that was signed into law on July 22, 2014. The WIOA program is designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy. All recipients of funding under WIOA must comply with the program income requirements as provided by the U.S. Department of Labor (DOL) Employment and Training Administration (ETA) and the Arizona Department of Economic Security (ADES).

**PURPOSE**

To define program income, distinguish between what program income is and is not, and provide parameters for the managing of income that is directly generated by a supported activity or earned as a result of an award under the WIOA Program. To provide guidance on the proper methods of calculating, using, and meeting and applying program income requirements under WIOA.

**POLICY**

Program Income that is generated from sponsored projects funded in whole or in part by federal or non-federal sponsors must be properly identified, used, accounted for and reported on in compliance with sponsor requirements.

**SCOPE**

This directive applies to the City of Phoenix including their sub grantees of WIOA Title I funds.

**BACKGROUND**

The WIOA was created to provide state and local areas the flexibility to collaborate across systems in an effort to better address the employment and skills needs of current employees, jobseekers, and employers. In carrying out this vision, it is often necessary for the City or sub grantees to provide goods and services for fees which enhance, promote, or support its service functions. At the same time, they must be mindful that when it provides goods and services for fees it may be competing with local private businesses.

Non-Federal entities are encouraged to earn income to defray program costs where appropriate. CRF 200.307(a).

## I. Definitions:

**Program Income** - Program income is defined as **gross income earned** that is directly generated by a supported activity or, earned as a result of the WIOA award during the period of performance (Uniform Guidance Section 200.80). *During the grant period* is the time between the effective date of the award and the ending date of the award reflected in the final financial report.

Program income does not increase the amount of funds that were authorized for the grant award. It is considered additional revenue available for use in support of allowable grant award activity.

### Sources of Program Income -

Program income includes, but is not limited to, income from the following:

#### **The use or rental of property acquired with WIOA funds.**

- *For example:* The local One-Stop has purchased a fax machine with WIOA funds and allows usage by WIOA program providers and clients. A per-page fee is charged for such use. The fees are considered program income.

#### **The sale of commodities or items fabricated under a WIOA award.**

Program income includes the proceeds from the sale of personal property funded by the grant.

- *For example:* As part of a course on small business development, materials are bought and used to manufacture small items. The proceeds from the sale of these items are considered program income. If the goods produced were written materials, the sale of materials would also be considered program income.

#### **License fees and royalties on patents or copyrights.**

#### **Goods or services (including conferences) provided as a result of WIOA funded activities.**

- *For example:* The One-Stop operator provides pre-employment services for several businesses. There is a per-head fee for these services. The fees are considered program income.

#### **Fees from employers to use services, facilities, or equipment.**

User fees are generated when real or personal property purchased with Federal funds is used for purposes other than the funding award. On a fee-for-service basis, employers may use the City WIOA-funded services, facilities, or equipment to provide employment and training activities to incumbent workers if the following criteria is met:

- The services, facilities, or equipment are not being used by eligible participants.
- Their use does not affect the ability of eligible participants to use the services, facilities, or equipment.
- The income generated from such fees is used to carry out programs authorized under WIOA
- Fees charged must be no less than those charged by private companies for equivalent services.
- Percentage of participation in cost is the same percentage that applies to fees.
- Fees must be charged, as appropriated, as long as the Federal government retains interest (fair market value is \$5,000 or greater).

#### **Any excess of revenue over costs incurred for services provided.**

Any revenue earned or received in excess of costs under a WIOA Title I program, is to be

treated as program income. This provision does not apply to commercial for-profit entities. The requirement applies to all Title I programs such as Adult, Youth, Dislocated Workers, Job Corps, Native American, Farmworker and Veterans' programs. [20 CFR 683.200(c)(7)].

- *For Example:* A nonprofit youth service provider has a fixed-price contract for the provision of placement services to out-of-school youth. Based on their performance, they have earned revenues that exceed the costs incurred by the organization in providing the services. These revenues are considered program income.

Interest earned on funds received under WIOA. Income earned from the interest paid on grant funds is treated differently for WIOA Title I programs than for most other federal grant programs and ETA-funded required partner programs. Under WIOA interest earnings are to be treated as program income and are subject to the rules applying to program income referenced in 29 CFR 97.25 and 29 CFR 95.24. Such rules apply to all programs funded under title I of the WIOA including Adult, Youth, Dislocated Worker, Job Corps, Native American, Farmworker, and Veterans' programs.

If an organization receives funds under both WIOA Title I programs and non-Title I programs, the grantee is responsible for identifying the proportionate share of any interest earnings attributable to each type of program.

#### **Program Income Exclusions -**

The regulations at 29 CFR 97.25(a) lists the types of revenues that are not included as program income. These same revenues would also be excluded under 29 CFR Part 95.2(bb). Unless otherwise provided in WIOA, its regulations, or the terms and conditions of a WIOA award, program income does not include the following:

**Interest earned on advances of WIOA funds**, except regulated in Federal statutes, regulations, or the terms and conditions of the award.

**Applicable Credits.** Reductions to grant costs as a result of refunds, rebates, credits, discounts, or the interest earned on them.

- *For Example:* The WIOA Adult Title I service provider receives a year-end rebate based on volume purchasing of software. The rebate is not considered program income; however, the proper accounting for the rebate is a reduction to the line item costs for software.

**Sale of Property.** Proceeds from the sale of personal property, unless provided for in regulation or grant terms and conditions. The requirements for handling the revenues from the sale of property for which the grantee is accountable are covered at 29 CFR 97.32 and 29 CFR 95.30 through 95.37.

- *For Example:* The WIOA Title I services provider disposes of a copier with a fair market value of \$8,000, following the requirements of Part 97 and state requirements. The revenues realized from the sale of the property are not considered program income. However, the calculated share of the proceeds from the sale must be returned to the awarding agency or in accordance with policies on acquisition and disposition.

**Royalties.** Income from royalties and license fees for copyrighted material, patents, and inventions developed by a grantee or sub-grantee. This income is considered program income only if specifically identified as such in the grant agreement or federal agency

regulations. [97.25(e)] Part 95 specifically excludes this income unless USDOL regulations or the grant agreement specify otherwise. However, grantees and sub-grantees should be aware that the payment of royalties by WIOA and other federally funded grants is an unallowable cost under 2 CFR Part 230 (A-122). USDOL policy is that federal funds may not be used to pay royalties for federally developed projects or works.

- *For Example:* The One-Stop operator writes a software application to computerize its case management system. The program is copyrighted and licensed to non-federally funded programs. The resulting revenues are not considered program income. The WIOA-funded program maintains a royalty-free right for use and distribution of the materials.

**Income Earned after the Grant Period Has Ended.** The grantee is not accountable for income expended after the grant period if the income was earned during the grant period. The grantee is not accountable for income earned after the end of the award period. However, the grantee must report program income expended after the grant period if the income was earned during the grant period.

**Donations.** Donations and contributions are voluntarily given to a WIOA-funded program. As they are not generated by the use of grant funds, such revenues do not constitute program income.

**Profits of Commercial Organizations.** Profits earned by commercial, for-profit organizations are not considered program income. Care must be taken to minimize the amount of profit generated by grants.

**Matching Funds.** Funds provided to satisfy the matching requirements of a WIOA-funded program are not considered program income. Conversely, program income generated through the ETA-funded grants may not be used to satisfy any match requirements.

## II. Method of Accounting -

2 CFR Part 200.307(e) specifies two methods for use of program income from federal projects (i.e., awards, contracts or co-operative agreements) earned during the project period. Program income earned during the project period is retained by the recipient and can be used in the following ways, with the prior approval of the federal awarding agency:

1. **Deductive:** Deducted from the total amount to be reimbursed from the sponsor, subtracted from the authorized amount reimbursable by the sponsor, and must be used to cover current costs of the project.
2. **Addition:** Added to the funds committed to the project by the sponsor, the recipient must use the funds for the purposes and under the conditions of the project.

Normally, the "Addition Method" shall automatically apply to all awards made to the City. In exceptional circumstances, the sponsor may require an alternate method for the use of program income that will be specifically identified in the terms and conditions of the project. Unless a federal project specifies otherwise, the City has no obligation to the sponsor regarding program income earned after the project period.

The Addition Method means that program income will be added to the WIOA award and will be used

to provide the same services as provided under the original award agreement. The program income available for program activities is not formally modified into the agreement.

### **Accounting for Revenue and Cost of Generating Program Income**

Earned program income can be calculated using either the net income or gross income method.

**Net Income Method. CRF 200.307(b) - Cost of generating program income.** If authorized by Federal regulations or the Federal award, costs incidental to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the Federal award.

Under the net income method, the cost of generating the program income is deducted from gross program income receipts. The revenues and expenditures are tracked separately in accounting records, netted, and then recorded in the appropriate program income account.

**Gross Income Method. CRF 200.80 - Revenue Generated.** With this method, all gross revenues derived from program income activities are accounted for as program income and the costs associated with generating the revenue are charged to the award. In the accounting records, the entire amount of gross revenues and corresponding expenditures are recorded in the program income account for the funding period.

The following example illustrates how program income would be calculated using either the net income or gross income method:

A grant recipient plans a conference and receives \$10,000 in registration fees in advance of the conference and incurs an expense of \$6,000 to cover the costs of the conference.

- Using the net income method, the grant recipient would report \$4,000 (the amount of revenue that remained after subtracting the conference cost) as program income. The award is not charged.
- Using the gross income method, the grant recipient would report \$10,000 (the entire amount of revenues earned from registration fees) as program income and charge the award \$6,000 for costs associated with the conference.

### **III. Accounting for the Expenditure of Program Income**

Once the amount of program income has been determined and funding period identified, two alternative approaches may be used to account for the expenditure of the program income. The additional services may be separately accounted for in the program income account, or already recorded expenditures may be transferred to the program income account.

#### Separate Accounting

Under the separate accounting method, program income is treated as additional funds committed to the award for which separately identifiable services are performed and the expenditure program income is accounted for separately from the original award agreement. For accounting purposes, the program income is treated as if it were a separate award.

### Transfer of Expenditures

Under the transfer of expenditures method, expenditures are initially recorded in the accounts of the original award agreement and the expenditures are subsequently transferred to the program income account to offset the amount of the program income earned. The result is the program income is accounted for as fully expended while expenditures charged under the award are reduced by the amount of expenditures that have been applied to program income.

The following examples illustrate how program income expenditures would be calculated using either the separate accounting or transfer of expenditures method:

*Example:* A grant recipient earns \$5,000 in program income, the amount that revenues exceeds costs under a fixed unit price agreement funded with WIOA funds.

- **Using the separate accounting method**, the grant recipient used the program income to provide additional training and placement services and established a separate WIOA funded account by cost category to record the expenditures incurred in providing the additional services.
- **Using the transfer of expenditures method**, the grant recipient transfers \$5,000 in expenditures already incurred under the award from the appropriate cost categories to the program income account and reduces award expenditures in the corresponding cost categories by the same amount. This has the effect of freeing up \$5,000 to be used for additional services under the award. When submitting the expenditure report, the grant recipient reports the amount of program income earned, the amount expended by cost category, and final net expenditures charged to the award.

### **IV. Allowable Uses of Program Income. CRF 200.307(e)(2)**

The program income must be used for the purposes and under the conditions of the Federal award. Program income may only be used for activities that would be allowable under the grant award that generated the income. It is subject to all WIOA requirements, with the exception of the administrative cost limitation. These requirements include the following:

- Allowable cost guidelines
- Cost classification guidelines
- Inclusion of program income earnings and expenditures in the audit
- Rules on procurement and selection of services providers
- Participant records and other record-keeping requirements
- Sanctions for misuse

### **V. When to Use Program Income. CRF 200.305(b)(5)**

Program income generated during the life of a specific allocation must be expended before the end of the availability or termination of that specific funding, or before the closeout is completed, whichever is last. This includes repayments to a revolving fund, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds. Therefore, at the time of filing a closeout, any unexpended program income must be treated as a reduction in federal expenditures and the excess funds will be de-obligated.

Program income must be used before requesting WIOA cash.



## **VI. Allowable Costs for Program Income.**

- Cost for program income must be reasonable, allowable, and allocable for the respective funding sources.
- Cost not prohibited by the cost principles of the award and/or applicable regulations and statutes.
- Cost must not be prohibited by Federal, State, or local requirements, regulations, or statutes.
- Cost limitations do not apply to program income.

## **VII. Reporting Program Income Requirements**

The City will adhere to the reporting requirements and schedule provided in the Intergovernmental Agreement (IGA) between the Arizona Department of Economic Security (ADES) and the City of Phoenix. No later than the 30<sup>th</sup> day following each month in which services were provided during the contract term, the City will submit financial reports to ADES in the form set forth within the contract.

The City must ensure that subrecipients are aware that all program income must be accounted for and reported to the City. Program income must be recorded in the City account records and reported to the City on a monthly Financial Status Report no later than the 15<sup>th</sup> of the month following the month services were provided.

The City must submit financial reports for ETA awards quarterly on the ETA-9130 Financial Report. Financial reports are due no later than 30 calendar days after the end of each quarter, unless otherwise specified in reporting instructions. All financial data must be reported based on the accrual basis of accounting and be cumulative by fiscal year of appropriation through the entire period of performance.

The City will submit to ADES Monthly Expenditure and Cash Draw Reports and Detailed Expenditure Breakdown by the 30<sup>th</sup> of the month following the month services were provided.

The City will submit to ADES final Closeout 9130 reports per the schedule provided in the IGA between ADES and the City.

Program income earnings and expenditures must be reported separately to specify how much was earned and how much was expended. Program income should be treated the same as if a separate grant - it is additional funding and it must be used by the same entity and funding stream that generated the income.

Additionally, program income earned should be reported as expended on the 9130 (200.305). Program income revenues and expenditures must be recorded so they can be traced from the monthly and quarterly reports to the source documentation supporting the revenue and expenditures. They must maintain proper documentation to show the amount of program income received and the purposes for which it was expended.

Cash from program income is to be reported as disbursed before additional grant funds are drawn down.

## **VIII. Subrecipient Reporting**

Pass-through entities are responsible for ensuring all reports required by the State are submitted

on time and the data reported is complete.

Subrecipients must submit monthly financial reports to the City by the 15<sup>th</sup> of the month following the end of each report period. When the reporting deadline falls on a weekend or holiday, all reports are due by close of business the last working day prior to the reporting deadline.

**IX. Program Income Procedures - Standard documentation and Recordkeeping Identify potential program income and whether it is reportable to the sponsor.**

Any revenue that is associated with or generated by a sponsored project and does not come from the sponsor is potentially program income.

The City and/or a subrecipient of WIOA grant funds may engage in the direct sale of goods and services to individuals, groups, or external agencies for fees only when those services or goods are directly and substantially related to the purpose of the WIOA Program. Charges for such goods and services shall be determined taking into account their full cost, including overhead, as well as the competitive price of such items in the local community.

The Deputy Director for the Business and Workforce Development Division or designee and the Fiscal Manager over WIOA funds will jointly review the request to determine if the activity is generating "program income." If the activity is considered program income and the activity meets the definition of allowable activity, the City Workforce Program Manager will review the proposed rate/rates.

**Rate Setting:**

Rates that are determined for selling services and commodities are to be based upon the actual costs, in accordance with federal guidelines and City policies.

- **Internal Customers:**

If any revenue is anticipated from internal WF customers, rate setting must follow City of Phoenix policies. Exceptions to this are grant budgets and instances where the sponsoring agency has dictated a specific rate to be charged.

- **External Customers:**

If all revenue is anticipated from external sales, prepare rates that are compliant with City Federal guidelines. Such rates should account for the full costs of the goods or services, including the administrative fee, and take into account the market rate for the same or similar goods and/or services.

**POLICY MANAGEMENT REQUIREMENTS**

Program incomes that is generated from sponsored projects funded in whole or in part by federal or non-federal sponsors must be properly identified, used, accounted for and reported on in compliance with sponsor requirements.

1. This policy may be updated periodically as reviewed and approved by Management Services Division Deputy Director prior to final approval by the Human Services Director.
2. Division managers and section leaders, supervisors responsible for the various workforce development functions, must ensure staff and subrecipients providing workforce development services understand and adhere procedures and protocols as contained in this policy.