CSAVR

11.08.16

3:30 pm

General Session 8

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>> SUE PAGE: I would like to introduce Craig McManus, otherwise known as "Chris" who will discuss the one stop delivery system and infrastructure costs.

(Applause.)

>>CRAIG MCMANUS: So the three topics, I will discuss are up on the screen over here. Now, regarding the maintenance of effort, Section 1112AB and the final regs require that the secretary reduce the state's annual VR program allotment to satisfy may want in answer of effort deficit for any previous fiscal year and out of all those long words the most operative one in there is the word "any" because the way the regulation was set up in WIOA we had a difficult time finding this regulation because it was as simple as strike the word "the" add the word "any" so prior to the enactment of WIOA RSA was able to reduce the subsequent year's grant to satisfy a maintenance of effort deficit from the preceding fiscal year so if a deficit was discovered after it was too late to reduce the current year's allotment, RSA was required to seek recovery through notification of determination of disallow answer and required the state to repay those funds with their nonfederal funds. Now, the Secretary's ability to reduce any subsequent years of prior years’ benefits the agencies because they're no longer required to pay that penalty with nonfederal funds. There by this maintains those nonfederal funds to be able to match the VR program, to be obligated and expended as matched for the VR program. As has been its longstanding practice RSA will notify VR agencies in writing prior to reducing the grantee's ward and that letter will outline the process and the requirements and circumstances for requesting a maintenance of effort waiver when appropriate. Now we're going to turn to third party cooperative arrangements and spend a bit of time related to those. Touring on site visits that RSA conducted there were several years of concern about how VR agencies were using third‑party cooperative arrangements in preemployment transition services and the next slides are going to cover the things RSA identified in that process. The designated state unit may enter into a third‑party cooperative arrangement for providing VR services including preemployment transition services with another state agency or local public agency that is providing part or all of the nonfederal share. That's the 36128A requirement. They must be used for VR services including preemployment transition services to applicants and recipients of services from the VR program. VR agencies may not use third‑party cooperative arrangements for the provision of case management, other administrative activities or any of the preemployment transition services that do not constitute the direct services to students with disabilities. This means authorized and coordination activities described in Section 113. RSA has identified that some of the agencies have included the authorized or coordination activity into their third‑party arrangements. So what this means is that for third‑party arrangements, really the only activities that can be included when talking about preemployment transition services are the five requires activities. Speaking to those authorized and coordination activities we understand that those indirectly and directly benefit applicants and recipients of VR services but they don't qualify as services that are directly applied to applicants and services for the VR program. As a reminder, third‑party arrangements must be entered into with public agencies not private entities.

The services provided by the cooperating agency must not be the customary or typical services provided by the cooperating agency but new services that have a VR focus or existing services that have been modified, expanded, adapted or recon figured to have a VR focus. The purpose of this requirement is to ensure that funds are not being used to subpoena plant what the state is providing under other programs. In other words they cannot use VR funds to pay for cooperating agencies current program or responsibilities. Agencies should be cautious when using generic templates for third‑party cooperative arrangement contracts because such template contracts typically do not account for services that the agency maybe providing. RSA found that several co‑op active contracts did not account for services that the cooperating agency may have been or was providing. It's important that the VR agency be able to identify what if any of the VR services are being contracted for, are already the responsibility of or being provided by the cooperating agency. Only then county VR agency really be sure that the services contracted for under the arrangement are new, expanded or modified services that have a VR focus as required by 36128A1 of the regulations. Once the services have been provided by the cooperating agency and are identified, the arrangement would then cover VR services that are new, expanded or modified services. Because of the level of funding and the types of transition services provided by local school districts could vary VR agency will need to determine what services each entity is providing and develop the arrangement accordingly.

Let's talk about the nonfederal share under arrangements. The cooperating agency's contribution toward the nonfederal share required under the arrangement can be made through, one, cash transfers to the designated state unit. They can use certified personnel expenditures for the time that the agency staff is spent providing direct VR services pursuant to the third‑party that meets the requirements at 36128. So the certified personnel expenditures they can include the applicable portion of the salary and fringe benefits based on the amount of time that staff spent providing those direct services under the arrangement.

Then the third area are the other direct expenditures incurred by the cooperating agency for the sole purpose of providing services under the third‑party cooperative arrangement. They have to do three things. They have to meet the requirements under 36128, they have to be verifiable, and they don't meet the definition of third‑party in‑kind contributions identified in uniform guidance. So just as an example of what this would look like, let's take a school that is providing for the cooperating agency, they may certify the time a teacher spends providing transition services required activities. This is a match since the teacher is providing the service to students with disabilities who are recipients of VR services under the arrangement. Only the salary and finger benefit costs may be certified. As was mentioned in the presentation yesterday the students that are eligible for any VR programs are considered recipients of VR services for the program so that is their in to be eligible to receive those under the arrangement in accordance with 36128A2.

The certified time must include only the time actually spent providing the VR services including preemployment transition services under the third‑party cooperative arrangement. Doesn't mean the time spent performing let's say at a school, bus duty, lunch duty, recess, study halls or any other VR service or service outside the scope of the arrangement. It is the responsibility of the VR agency to ensure only allowable expenditures are certified and matched. The costs that are certified as match will not ‑‑ and this is specific to any third‑party arrangement, the costs ‑‑ (Away from mic.)

As a reminder the costs that are certified as match will not count toward the amount of federal funds that an agency is required to reserve and expend for the provision of preemployment transition services. Because the requirement to reserve and expend those funds for preemployment transition services relegated to only the federal VR dollars. This next slide takes a step back to look what the constitutes a certified expenditure under a third‑party arrangement that can be reported as match or the VR program so when we look at the uniform guidance we look at what constitutes an obligations and it indicates at 2CFR that an obligation is for orders placed for property and services contracts and similar transactions touring a given period that require payment by a nonfederal entity during the same or future use. Now under an arrangement does the constitute payment by a VR agency and the certified time can only be record as match after the time has been worked, certified as an expenditure and submitted through the VR agency. The VR agency is response I will for monitoring the certification and the time certified was only for allowable services verified in the arrangement. Certified time for other school stuff such as principal pals, vice principal pals, secretaries and supervisors is not permissible for match purposes under the VR program because those individuals do not directly provide for those services. The third party guidance is not permissible for the VR program. In addition, these costs would not be consistent with the third‑party cooperative arrangement matching requirements under 36128C the other direct expenditures incurred under the contract with the cooperating agency only for the direct provision of services under the arrangement may be an allowable source of match. These expenditures are distinguished from in‑kind contributions because the expenditures were incurred specifically for the purpose of the third‑party arrangement in accord witness with the terms and conditions of the contract and within the contract period. All of which must be verified by supporting documentation from the cooperating agency. This next slide identifies and talks about certified expenditures, it talks about if you reimburse a cooperating agency with the federal funds for the direct expenditure that expenditure is no longer matched because the cooperating agency no longer incurs the costs. What this means is that any nonfederal certified expenditures may not be reimbursed with federal VR. Of course the same principle applies with any other service of the like and kind.

Materials that provide new and expanded services that are provided under a cooperative arrangement if those materials were not already available to the cooperating agency and if the expenditures were incurred during the period of time in which the executed third party cooperative arrangement contract was enforced, the expenditures for those materials maybe an allowable source.

Now if those materials were to be used by students who are not potentially eligible for the VR program or applicable recipients from the VR program those costs must be allocated proportionately from sources other than VR funds and they does not constitute an allowable source of match. Lastly, related to third‑party cooperative arrangements, any expenditures or costs incurred under the third‑party cooperative arrangement that are not directly for the provision of VR services such as indirect costs, depreciation, existing utilities, space, supplies, would not be an allowable source of match because they are third‑party in‑kind contribution. The last two slides I have for the fiscal portion have to do for fiscal portion of preemployment transition services. Our state has received several questions regarding whether the VR agencies are required to track all preemployment transition services activities and expenditures or whether they can stop tracking those once they meet the minimum 15% reserve requirement. And we looked at uniform guidance at CFR228, looked at the definition of that which is defined as a program, award, subdivision, contract, or work unit for which cost data is desired and for which provision is used to accumulate and measure costs across projects and jobs. That's a long‑winded way of saying preemployment transition services meet the definition of cost adjustments and as such it's important that the VR program maintain internal controls for tracking and reporting these intend tours regardless of how much or how much funds the agency has expended on preemployment transition services. So even those preemployment transition services beyond 15% must be tracked.

>> SUE: Please join me in thanking Craig. If you have a question come to the microphone.

>> AUDIENCE MEMBER: How are the one‑stops funded?

>> CRAIG MCMANUS: The joint regulations are identified in part C, 628 so naturally we are going to reference the CFR part 361 regulations that the VR agencies will use and the one‑stop regulations begin at 361300 just for reference. Okay, so how do one‑stop partners fund the operational cost of the one‑stop center. The operational costs of one‑stop centers previously combined under a resource sharing agreement under the work force investment act of 1998 have been broken out into two categories, infrastructure costs and other shared costs. Now, related to funding, to ensure that there are sufficient funds to operate the one‑stop system, the one‑stop partners must agree to funding levels through a local memorandum of understanding or MOU. They pay only an amount that is based on the proportionate use and relative benefits received by the program consistent with uniform guidance at CFR part 5200 and they may an amount that is necessary and allowable and they ensure all costs are allowable under the guidelines and statutes in implementing regulations. ) And N.) Turning our attention specifically to infrastructure costs, these are, number one, costs that are necessary for the general option of the one‑stop center and they include but are not limited to the facility rental costs, utilities and maintenance costs, equipment which would include assistive technology for people with disabilities, technology to facilitate access to the one‑stop center including planning and outreach activities and also the common identifier costs that local work force development boards may consider as a cost of the infrastructure. One cost is the cost for the signage for the one‑stop centers.

Okay, the second type of cost we discussed were the shared costs. These must be paid by the partners of the one‑stop delivery system. They are common costs in addition to the infrastructure costs. They may include personnel costs which are not permitted under infrastructure costs. They may include shared services and the applicable career services. They are identified in further detail in the WIOA as well as in the VR regulations. Under shared costs we talked about services, the costs that are authorized for and may be provided through the one‑stop partners would include initial intake, assessment of needs, appraisal of skills, identification of appropriate services, referrals to other one‑stop partners and business services. An example of a shared cost could be the cost for a front desk staff person who directs employers and customers to the services or staff that are available in the one‑stop center. These costs are personnel costs and separate and distinct from infrastructure costs. This next section gusts ‑‑ discusses
(Laughter.)

I'm disgusted by how long I've been up here!
(Laughter.)

We are going to discuss how one stops can pay for costs. Funding for infrastructure costs and other shared costs may be in the form of cash, noncash, or third‑party in‑kind contributions. It could include any contributions from private entities, philanthropic organizations or any other financing organizations. So let's look at cash contributions to start. Cash contributions as they sound are cash fund provided to the local work force development board or it's dis‑I go knee by one‑stop partners either directly or through a transfer. Due to the variety of structures and the organization of one‑stop centers, one or more partners may be responsible for actually paying the bills, the one‑stop center therefore it may make sense to conduct that inner agency transfer of funds between the partner agencies to cover the partner's share of infrastructure costs. Now, noncash contributions are expenditures that are incurred by one‑stop partners on behalf of the one‑stop center or goods or services contributed by a partner program and used by the one‑stop center. Noncash contributions must be valued consistent with uniform guidance at 2CFR306 and they must be reconciled on a regular basis to ensure that they are fairly evaluated. One method to ensure that the noncash contributions are fairly evaluated is to agree, have the one‑stop partners agree upon the sources, methodologies that are going to be used to assessor appraise the fair rental value of the noncash contributions.

An example of a noncash contribution, let's look at a partner whose proportion share of the one‑stop operating cost is $15,000 for program year 2017 which will begin this coming July 1st, 2017. Now, the partner wishes to donate not for its own individual use gently used surplus equipment to the one‑stop center. The computers were purchased for $20,000 in 2015. The computers have a current fair market value in accordance with the requirements of $10,000 and a depreciated value of $12,000. In accordance with the requirements the value of the contribution must be the lesser of those two amounts. Therefore the partner would be able to use the $10,000 amount as part of the resources provided to fund the shared costs allowing the partner to pay $5,000 ‑‑ remember it was 5,000 5000 to start, leaves him with $5,000 of its proportion share of one‑stop operating costs in 2017.

Okay, third‑party in‑kind contributions. These are contributions of space, equipment, technology, nonpersonnel services or other like items to support the infrastructure costs associated with one‑stop operations by a one‑stop partner. They can be used to support the one‑stop center in a general sense not for a specific partner or they can be used to support a specific partner to support its proportionate share of the one‑stop infrastructure costs so the value of the in‑kind contributions similar to the noncash must be consistent with uniform guidance and reconciled on a regular basis, monthly or quarterly to ensure they are fairly evaluated.

Again, as we said before there are the two types of third‑party in‑kind contributions so general contributions to a one‑stop center's operations that are not connected to any partner and then those contributions that are made to a specific one‑stop partner program.

Okay, let's talk about third‑party in‑kind contributions in the VR program because as you all are probably thinking they have a bad connotation in the VR program when we talk about match purposes. We wanted to remind everybody that under the VR regulations that a VR agency may not use third‑party in‑kind contributions for match purposes under the VR program in accordance with the regulations. However there is nothing in the regulations that would prohibit a VR agency from using an in‑kind contribution to pay for its share of one‑stop operating costs including infrastructure costs. So to look at an example of a third‑party in‑kind general contribution to a one‑stop center let's look at a local county government that is not a one‑stop partner and they have a vacant building and would like to donate that space in the building for use as a one‑stop center. This third party in‑kind contribution could not be associated with one specific partner rather than it would support the one‑stop center in general. The partners may use this as an offset of the budget thus reducing the partner's individual contributions. The result would be a decrease in the amount of funds that the partner would contribute because the overall budget would be reduced by the overall general in‑kind contribution so this benefits all.

The next is an in‑lined contribution on behalf of a specific one‑stop partner. So we have a business partner that were to provide assistive technology to a VR program who then gives it to the one‑stop center as long as that AT was in the infrastructure cost and needed by the one‑stop the VR program could value that AT and use the value to count toward its proportion natural share.

This next slide is sort of a ‑‑ it says attention some cautions, really reminders. To sum up a little bit, both the in‑cash have to be value consistent with the guidance, reconciled on a regular basis to ensure they are fairly evaluated and meet the proportional share of the partner. All partner contributions must be reconciled on a regular basis which may be monthly or quarterly. You have to compare the actual expenses incurred to the relative benefits that are received and ensure that each partner program is contributing the proportionate share in accordance with the terms of the MOU.

Okay, this next section is ‑‑ okay, who must contribute toward the infrastructure and the other shared costs? So we're going to talk about who the required programs are first then we will talk about who the additional partner programs may be. So we are going to start off with the required programs under the Department of Labor. This includes the WIOA adult dislocated worker and youth programs, the Wagner Pizer services program, senior community service employment program, the trade adjustment assistance program, jobs for veterans state programs, the youth bill program, unemployment insurance, migrant seasonal farm worker's programs the Native American programs and Job Corp.

>> For the Native American programs there is a change in the joint rule they are encouraged to contribute to the infrastructure but they are not required so that is a change from the NPRM to the final rule.

>>CRAIG MCMANUS: Thank you. Now, I know you guys can read all this. What's the value in this. It's important as a partner to know who the other partners are so as you're negotiating at the local level if you know who these folks are, who did and can't be partners and I'm going to go through a few , and then we can roll through. For the Department of Education we have adult education and family literacy act program, state vocational rehabilitation program, the Perkins rear and technical education program. Under HHS there is the community services block grant act and then new to the required partners are the temporary assistance for needy families or the TANF program, the government may determine whether or not the TANF program is not a required partner in the state or even in specific areas in the state.

The Department of Justice, it's programs authorized under Section 212 of the second chance act which is also a new partner, and then finally under the department of housing and urban development the employment and training programs.

So of all those required partners what are their roles? They need to provide access to the program services and activities through the one‑stop service delivery system, participate in the operation of the one‑stop system and enter into that local MOU, with the local work force development board relating to the operation of the one‑stop system which includes the infrastructure funding agreement or IFA and they need to provide representation on the state board in accord witness with the programmatic requirements of WIOA. There is a list of terrible partners that may choose to become partners under the one‑stop system. The Kline assistance program, the training programs under the SSA or the ticket to work self‑sufficiency programs, the small business training programs, the supplemental nutrition and assistance program, employment and training programs, the national and community service act programs and other employment education or training programs such as those operated by libraries, nonprofits or those in the private sector.

So many other nonrequired programs of course may become partners in the local one‑stop system through agreement with the local board and the chief elected officials. As partners any additional partners would enter into local negotiations with the required partners. If the consensus is not reached additional partners are not subject to the state funding mechanism as are required partners. I'm getting ahead of myself in referencing the two, but Debbie is going to talk about those later. What this means for terrible partners is partners or programs that are not required by the WIOA statute are encouraged to participate in the local one‑stop operations. While the additional partners would enter into those negotiations with the required partners as we mentioned, those additional partners if they do not reach consensus, under local negotiations they do not trigger the state funding mechanism nor are they subject to the state funding mechanism.

Chief elected officials and the local work force development boards may take appropriate steps to ensure or ensure that additional partners contribute their proportional share of the infrastructure costs. This does not include the ability of them to subject these partners to the state funding mechanism.

The last of my proportion is just a statement about contributions. Each entity that carries out a program or activities through a local one‑stop center must use a proportion of its funds available for the program and activities to maintain the one‑stop delivery system including payment of the infrastructure costs of the one‑top centers. At this point I want to turn it over to been bee to discuss uniform guidance.

>>DEBBIE: Good afternoon, everyone, if you come into Chicago, you will see the "W" draped across buildings, because why? The Cubs finally did it. I am a Sox fan, but ‑‑
(Laughter.)

It's a big sports town, but each of my children are Cubs fans. Their father is a die‑hard Cubs fan so everybody in the city, across the country and the world are so excited they won now they can say "Next year is here, so "Go Cubs go."

Moving on to the business at hand, I'm going to talk about the uniform guidance and how it's applicable to what we're calling infrastructure in the allocation of shared costs and infrastructure costs. How many here are parties to the existing WIOA resource sharing agreement at a one‑stop center? We have some people, okay.

Are the other agencies working along with their one‑stop partners but not formally on paper a partner? Maybe so, maybe not? Okay. All right. Well, how many people here are working in the fiscal departments of your agency that handles the cost allocation plan and the negotiated and direct cost rate? All right, that's a lot of fun right there, right?
(Chuckles.)

Working through an indirect cost agreement, preparing all those different schedules and those financial statements to send it off to your division of cost difference or to your state agency so you can get approval for a final rate or provisional rates. So you will be familiar with what I will be saying in the next few minutes about allocation methodologies, about the distribution basis and what you can do in order to ensure that any infrastructure costs that are assigned to your agency is based on your proportionate use of that one‑stop center and its also based on relative benefit. Now, we know that Craig had been talking about other elements that are contained in the uniform guidance but how many people know which second is the most important for the infrastructure and shared cost? Out of the uniform guidance we had merged, you know, eight different circulars together so we have the administrative requirements piece we have the audit piece and then the federal cost principles, so the main focus or a lot of the elements that you will see in the joint rule are based on federal cost principles so that's at 2CFR200.400 so it's in the "400" series and also in that is Section 2046 and this is important because as Craig indicated when you are working with your partners to value in‑kind contributions or third‑party contributions it's important that you make a decision or that your partners and you are in agreement on how to value that contribution. One partner may come in and say I want to donate this van on behalf of my contribution that it can used to transport people from the one‑stop center to the work site. I believe the value of my 2008 12‑passenger van is $25,000 is that the correct value? Probably not. So this is where the partners would have to kick to an agreement. What sources or what persons will you be using to make that assessment? Will you be using the Kelly blue book value? Going to ‑‑ calling up a few used car dealerships to determine the value of that van? That is extremely important because the other thing with contributions is you can make a contribution that basically is to loan the use of that equipment for the purposes of the one‑stop center or you could donate it. So you've giving it to the one‑stop center outright so you're handing over the title. So there's different ways in which you value something that you're providing a donation for over the course of the next two or three years or if you're providing it and you're sign it go off and you're writing it off on your books as a toe nation. So this is an important feature that if you are sitting down with your local board and other partners in your local delivery system that you reach an agreement on that. That 2008, 12‑passenger van may not be worth $25,000.

Let's move on to the uniform guidance. The most important feature is we look to the federal cost principles in order to determine whether a cost that is going to be charged to your program is not only reasonable, necessary, allocatable and allowable so we look at subpart E. The very first thing we consider is necessary. Is that cost necessary in order to achieve a program objective?

You don't want to be paying for a cost that you feel is not necessary to serve your program participants.

The next thing is reasonable. Is that cost reasonable and what we use here is the prudent person theory. What does a prudent person mean? It means a person that has or shows good judgment. I also talk about a prudent person theory in the business sense and then there is the personal theory. I come home from shopping and I show my husband my $150 pair brand new shoes and he's always asking is that a prudent purchase? To me, yes, it goes with my outfits, I needed them but for him that may not have been prudent because he could have gotten by with a $50 pair of shoes. Let's now turn the table and think about prudent person in terms of your operations, your program operations.

Is it a prudent ‑‑ when you consider prudent person and you're looking to buy ‑‑ I'm going to get tongue‑tied here. If you have a budget
(Chuckles.)

>>CRAIG MCMANUS: There you go!

>>DEBBIE: U a budget and you have your program managers and your fiscal staff and accountants considering what you are going to use in the upcoming year for that budget. You have a $10,000 budget for equipment. You think what would be the most prudent way to use that $10,000 budget? Is it using that budget to buy the latest Mac Book Pro that you could by one for $1500 or could you buy multiple Chrome Books for $200 so that's where the prudent person theory comes in. This is another thing when you are working with partners what may be prudent to them may not be prudent to you. So this is where you have to reach an agreement, especially when it comes to, like, rent. We know that that is sometimes a very costly item that is part of your one‑stop operations and so how do you reach agreement to make sure that not only is the cost necessary, is it reasonable for your program? So needless to say with future shoe purchases I hide them in my car until my husband leaves the house.

>>CRAIG MCMANUS: That's prudent.

>>DEBBIE: Thank you!
(Chuckles.)

Let's move on to the next slide, which is managing the slides. Joe. Okay. Thank you. I guess the other test that we often use is, you know, when you make a purchase will it pass the "Washington Post" test. If you purchase something and the media gets wind of it, could you withstand the pressure and the media attention of that purchase? So that's one other thing to consider. So what's the other standard in which you must consider in determining whether or not your contribution is acceptable for your organization? Not only are you looking at necessary and reasonableness you're now looking at allocable so allocable is a cost that may be useful or may be charged to multiple cost objectives or that it's a cost that can be picked up by multiple programs so, again, is the methodology you're using to allocate the cost, is it proportionate to the relative benefit of your program?

We want to make sure it's equitable and fair for all partners that are in that one‑stop center. So what is it that mean for partners that may be physically at that one‑stop versus someone that may be there through a direct linkage? So the cost of a person or partner program that is physically there may be a little higher or higher than a partner that is present using a direct linkage so this is where you want to ensure the methodology in which you are allocating costs provides a proportionate and relative benefit to each and every one of the programs in that center.

Okay so specifically, you want to make sure that the cost is Al low and it benefits the federal program ‑‑ allocable and benefits the federal program and that it's necessary for the operations of that program and serves participants.

Okay, so moving on, how do you determine if a cost is allowable? Like all regulations you have directives coming from the VR office or the education office that identifies certain costs that may be allowable or unallowable and the same is true for the Department of Labor. In our DOL, only, WIOA final rule there are certain things that our grant recipients cannot use when spending WIOA monies. Similarly there are other programs that may have specific prohibitions so you have to consider those along with those that are expressly contained in the unified lines. You can't consider a partnership building event such as hosting a lavish Christmas party for all your one‑stop partners to be part of infrastructure because we know that's not an allowable cost because it's entertainment. For Department of Labor ETA grant recipients you cannot purchase buildings using WIOA funds but there are costs to capital improvements that can be charged to our program. So you have to make sure that any costs that are tied to infrastructure or sheered costs are allowable to your program.

The thing with allowablity is you want to consider limitations, many have limitations for, say, administrative funds so specifically for many of the education programs the infrastructure costs can only be paid for using administrative funds so you have to consider that when determining your contribution.

The other thing is consistent treatment. The way you allocate costs should be the same from one program to the next, from one year to the next. If you discover that the allocation methodology that was initially agreed upon by your partners does not come out to a relative benefit or proportionate use of your one‑stop center you can reconsider that and resee evaluate your methodology through the course of that year.

Okay, so I guess we will say it one more time. Infrastructure, your contributions are based on a proportionate use of the one‑stop delivery system and relative benefit received. We know that the allocation process is not an absolute process, it's not an exact science, but there are chances that it may not be exactly correct but we hope with any methodology that the partners agree upon that it gets close to it.

So how do you allocate costs? There are many ways that you can allocate costs, it can be through inputs, is it time spent in that program? Is it based on square footage in which you are occupying at that one‑stop center, is it the number of FTEs at that one‑stop center or can it be based on outputs, is it the number of customers coming through the doors or the number of customers accessing your web sites or your case management system? It's things like that that has to be determined by the various partners.

One other thing to consider, not only are we talk about infrastructure costs but sheered cost. So these sheered costs or other costs may include personnel expenses. So the person who is managing the welcome desk, how do you share in those costs? The means by which you allocate or are sharing that cost must be separate from your infrastructure because those costs cannot include personal expenses. So there is not a give and take that you will contribute a person to man that desk to off‑set the infrastructure. The infrastructure has to be nonpersonal expenses no matter what happens. How do partners determine their contributions? You have a variety of different sources that you can use. You have ‑‑ you can provide cash, in‑kind contributions and third‑party contributions. With any of those you then identify that along with the budget, the one‑stop operating budget and the methodology and that should be identified in your infrastructure funding agreement.

Hopefully before that time the services that are exported to be rendered in that one‑stop delivery system, whether it's comprehensive America's job center or affiliated one‑stop center, that has to be specified in your memorandum of understanding. So the memorandum of understanding is similar to a statement of work. It's all the things that you expect to do to serve that local area. The infrastructure funding agreement is basically your budget, what does it take in order to make that happen? You need funds, you need these in‑kind contributions to keep those doors open and keep those lights on. So with the MOU, the MOU is a negotiation between all the partners and the local board and the chief elected official. There is a new provision in the law that requires that MOUs are to be updated at least every three years and this is especially important because as part of our compliance reviews over the course of the last ten, 15 years when WIA was around, we discovered a lot of MOUs were in place at the inception of WIA, they were placed in somebody's desk drawer and never looked at again so when we went out and did a compliance review we discovered that, you know, the chief elected official that was the signatory on that MOU in 1999 had been out of office for eight years. So we don't want that to happen. We want to make sure that anybody who is signing that MOU is aware of their responsibilities in serving the community of that local delivery system. The same thing is true for all partners. So with the infrastructure funding agreement there is an expectation that the infrastructure funding agreement is looked at periodically and I will talk a little bit about what would trigger a change.

So with MOUs the MOUs contain all services that are to be rendered in that delivery system it's to identify the costs of the services, what types of tools or systems that will be used. It talks about the referrals to different organizations, and it talks about what happens in terms of making an amendment. Is it okay to make simple amendments and not require all of your one‑stop partners to resign that, so that needs to be made clear. Then also, identifying some other things to consider is making sure that everyone is aware of their nondiscrimination requirements, EEO requirements or any other policy requirements that govern the use of federal grant funds.

So when determining infrastructure costs, you may have a local delivery system that may include physical comprehensive one‑stop centers along with satellite offices or affiliated sites and all of those need to be identified in your infrastructure funding agreement. Then also it must be identified as to what partners are making a contribution toward one or more of those centers. So these same partners that are parties to the infrastructure funding agreement must be parties to the MOU. So the IFA or the infrastructure funding agreement is part of the MOU.

So what makes up an infrastructure funding agreement? It contains everything that the partners are sharing. It will include infrastructure costs, other shared services and other costs.

It also should include just like with your MOU, when a change is needed and when you need all the other partners to sign off on it. So there could be periodic adjustments or reconciliations. Is that necessary to have all of the partners resign that MOU or IFA? Or is it a simple reconciliation looking backing on a quarterly or monthly basis that is just part of the process? Is there a system or mechanism in place in which you share that information or the results of that reconciliation with everybody and then making sure moving forward that the proportionate use and the relative benefit are still being achieved by each of the programs?

Next we have the IFA, so we continue with the IFA. The IFA should also talk about the methodology. You can have a variety of different methodologies to Al row indicate different types of costs so you could have a distribution base for allocating rent that could be based on square footage. For equipment‑type costs or other related costs you can use another distribution basis. It could be FTEs or the number of customers. All of that has to be outlined in the IFA.

Okay, so keeping ‑‑ moving on, what funding options do partners have? How many people have actually read the section on infrastructure? A few. How many people are confused about the state funding mechanism?
(Laughter.)

I am! You're going to have to brush off those high school, you know, math books because if you reach that state funding mechanism piece it's going to be challenging.

So it's kind of like the one show in the early 70s, "danger beware Will Robinson" because that funding mechanism on infrastructure is complicated. So what we are trying to do is get everyone to move forward in trying to work with your partners and work through the negotiations for the funding mechanism. This is the most flexible option available to all partners and even with the flexibility we still expect that each and every partner and each and every program adheres to the provisions of its particular program, make sure that it's within the letter of the law, it's within its statute and within its limitations, specified limitations.

We hope that with the local funding mechanism that all partners are able to reach consensus.

>>CRAIG MCMANUS: If I could add not just the flexibility that Debbie indicated it also puts the control into the partners on the ground in the local areas to making these determinations, it gives you the most control over those funds.

>>DEBBIE: That's exactly right, Craig. If you hand over the negotiations or the ability to determine what is good for your agency or what is good for that local delivery system, it then moves on to that state funding mechanism and would they be ‑‑ would you be served better by handle it go locally with your partners with the people that you've developed relationships with on the ground or sending it up to the state and having the Governor's office work through those negotiations? So this is why we suggest, strongly promote the use of the local funding mechanism. Soak so with the local funding mechanism again not only are you look at the joint rule but any other provisions that may be in your program that may restrict the way or how you can use those dollars.

So that still needs to be considered.

With the local funding mechanism there are no statutory caps. So what does that mean? When you look at that section in the joint whether it's in 361 or 678 you have all these crazy percentages out there. They are not applicable for this local funding mechanism. So as long as your share or contribution is based on proportionate use of that one‑stop system and based on relative benefit received you will be okay. Okay, moving on to the state funding mechanism. With the state funding mechanism what happens is the local area must notify the Governor that their partners cannot agree and so you have reached an impasse. What has to happen is the Governor must then surveyor find out from the rest of the local areas in its state to identify all of the local areas that have reached an impasse. Because it's those areas that then would get its share of that cap. So it's important that the negotiations and the notification process is ton in a timely fashion so that everyone could then move forward with continuing to operate ask and providing services to the field. So for the state wide cap the Governor has to look at how many local areas have reached consensus and compare that to those that have reached an impasse in order to determine what portion of that cap is available to those entities that have reached an impasse. What happens when a local area has reached an impasse and it includes a VR program? We know that a VR program is not administered by a state agency under the purview of the Governor, so it is the Governor's responsibility to oversee the process. So it is expected that the Governor work with that official who is managing that VR program to consult and determine what portion will be their contribution. This is similar to other programs that may be operating or be managed by an agency that isn't under a state, so including like nonprofit organizations that may be managing like a youth bill program or say for the job corp centers, those are operated by contractors. The law is clear that the Governor is to make that determination what their contribution will be. For the last couple slides there are the funding caps for the VR program, so for the very first year if you are part of a local area that has reached an impasse, the Governor would use these following percentages. The very first one, since the state funding cap does not technically go into affect in 2017 that would be the 1% cap, did I get that right?

>>CRAIG MCMANUS: So for program year '17 purposes it's going to be taking .75% based on the final 2016 allotment.

>>DEBBIE: Okay these are the caps specified in the joint rule for the VR program. That gives you a brief and short overview as to what is involved in the different mechanisms, the local funding mechanism and the state funding mechanism. We recently did a webcast, it was Craig, Chris, Lakeesha and Mike and Chanelle from the Department of Labor who did a webcast on infrastructure. If you weren't able to participate, that webcast is available on the innovation opportunity network, and we hope to do another webinar or webcast this the future and that will go into greater detail on the differences between the local funding mechanism and the state funding mechanism and we hope to do that after the policy guidance is issued, which is expected to be issued sometime late December if not January of next year. All right, that's all that I had. I don't know if anyone had questions for Craig or I.

>> SUE: Let's give Craig and Debbie a hand, thank you so much.
(Applause.)

I have a couple of questions that were collected prior to this but let's open it up to the audience if anybody has questions please come up to one of the microphones.

>> AUDIENCE MEMBER: Julie from Florida, we're having trouble ‑‑ let's say hypothetically we need to look at those caps we're having trouble figuring out how we're supposed to calculate the difference between the program year and the fiscal year because they overlap and weren't sure what time period the cap applies to from our perspective versus ‑‑ follow what I'm saying? If you can give clarification?

>>CRAIG MCMANUS: Sure and just to reiterate what Debbie said as long as you're successful with the local funding mechanism these caps are not applicable so moving forward into program year '17 and beyond the way that this works because again the VR program operates on a federal fiscal year, and the program year begins on July 1st and ends June 30th so the way it's set up especially with the VR program having a potential two‑year period of performance is to look at when you are planning for this upcoming program year which is '17 if the state funding mechanism is triggered that .75% amount will be based on the final federal fiscal year 2016VR allotment. So that's beneficial because at the time that they're negotiating which typically would be right about now for '17 the federal fiscal '16 award has gone through allotment and can use that federal fiscal amount to multiply this percentage to so we know what we're working with in program year '17 and that process will move forward every year for those next four years with the percentage amount increasing so that it's 1% for program year '18, 1.25% and 1.5% for program year 20 and moving beyond. I hope that helps.

>> SUE: We have a question, it has to do with the state funding mechanism caps. If the Governor determines that the VR agency one‑stop contribution for all local areas subject to the state funding mechanism exceeds the VR program's state wide cap county VR agency pay more than the cap amount?

>>CRAIG MCMANUS: The VR agency can. They can do it, they're not required to but the final joint regulations at 361738 too permit VR agencies to pay more than their cap amount as long as it represents the proportion amount based on the relative benefits received. It's true for my spend tour, the VR agency has to ensure that those funds expended are for allowable costs that are reasonable, necessary and allocable but, yes, as long as those costs truly reflect the proportionate share of the VR program's contribution then they can pay that share even though it would be above the cap.

>> AUDIENCE MEMBER: I'm Enid from Wisconsin, I have a question about the infrastructure agreement for VR, there a requirement that only VR can sign that for VR?

>>CRAIG MCMANUS: So that I think gets down to who is considered the entity carrying out the program at the local level. I'm trying to think here. I'm good at the infrastructure stuff, the signatory on the MOU and IFA not so much. I may need to double‑check that. Typically the representative for the designated state unit is going to be the one that is handling that.

>> AUDIENCE MEMBER: That's my expectation but I haven't been able to find that in the regulations or in the law anywhere.

>>CRAIG MCMANUS: There is part of the regulation that identifies who is the partner for each of the federal programs. We could probably find that for you and that should be sufficient to answer that question.

>>DEBBIE: If I can speak on that. The regulations talk about who is the one‑stop partner program? It is the entity that is carrying out that program and providing services in that area. I don't know if that's helpful but I know for at least DOL programs it would be the grant recipient or the contractor that's providing those services or carrying out the program. I don't know if it's different because of the structure and the way VR programs are organized. Come on that's all you had? Any other questions? We were ready!

>> SUE: I have another one. Craig's busy.

>> CRAIG McMANUS: I'm scouring!

>> SUE: Let me ask another question. This has to do with one‑stop spending. How you should VR agencies act for funds paying for the VR program's proportionate share of the up with‑stop infrastructure costs.

>>CRAIG MCMANUS: So this one, you know, this came about based upon how the statute, the WIOA statute and Title I regulations identified how under the local funding mechanism paid for may use program funds, administrative funds when you are on the state funding mechanism and pretty much relegated in the statute at least that all of those funds would come from administrative purposes in a general sense. Now, the VR program doesn't have administrative funds. Some of the other programs that we deal with do.

The department deals with and I mean when I say "we do" it's true the other partner programs that Debbie and I work with in our work group but we wanted to make so clear that for the VR program under the administrative cost definition we did make a slight tweak to 3615C28 which would indicate that under administrative costs, any of the expenditures incurred by the VR agency to cover those infrastructure costs would be considered an administrative cost to the program regardless of whether the contribution was determined through the local funding mechanism or through the state funding mechanism so particularly when you report those costs out on the RSA2 those would be considered administrative costs in all circumstances.

>> SUE: Thank you. You did talk a little bit about this and if you have any more than that you can add, has to do with benefits as a partner.

What are the benefits one‑stop partners realize as a part of the one‑stop center?

>>CRAIG MCMANUS: In our ‑‑

>>DEBBIE: It's in the vision and in the one‑stop operating guidance that will come out.

>>CRAIG MCMANUS: You will see more of this moving forward but there are many benefits that we at the federal level wanted to let partners know. We know VR is a partner that's been around for a long time however there are new things, new, innovative things going on, we know that we have new partners coming in that have no idea what it's like to be a one‑stop partner so we wanted to give out the ideas of what those benefits could be and sort of an abbreviated list are expanded work force services for individuals at all skill levels and levels of experience, access to multiple programs and employment and training resources, integrated and expert intake processes for all customers that would enter the one‑stops for the American job centers, integrated and aligned business services strategies, among the American job center partners, expert advice from multiple sources and expanded program reach to increased customer participation and enrollments, strength in partnerships providing seamless work force services that serve similar or work force populations and reduced overhead by streamlining a lot of the financial procurement and facility costs themselves.

>> SUE: Thank you. Let's give them one more round of applause, thank you so much.
(Applause.)

So executive committee next and then tomorrow morning continental breakfast at 8 followed by the business meeting starting at 8:30 and I have an important announcement. If anybody was at the employment committee meeting in the back of the room and can't find their iPhone come up front. Thank you.

(End of presentation.)

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