

## EXHIBIT 25

### WORKFORCE INVESTMENT NOTICE: 01-06, Change 1

**SUBJECT:** Individual Training Accounts (ITAs)

**DATE:**

**I. PURPOSE:** To provide the Local Areas with additional guidance on the use of Individual Training Account.

**II. REFERENCE:** ACT: Section 122 and 134; Regs: 663.400-663.440

**III. BACKGROUND:** The Workforce Investment Act (WIA) states that, "Training services...shall be provided in a manner that maximizes consumer choice in the selection of an eligible provider of such services." **[Section 134(d)(4)(F)]**

To enable the participant to make a responsible and informed choice about where best to receive training, WIA uses three mechanisms:

- Individual Training Accounts;
- A statewide list of eligible training providers;
- Consumer information regarding training providers.

This policy concerns Individual Training Accounts established on behalf of participants to be used for the payment of training expenses to eligible training providers using funds from the Workforce Investment Act.

**IV. DISCUSSION:** The Workforce Investment Act mandates that all training services (except for limited exceptions identified later in policy) be provided through the use of Individual Training Accounts and that eligible individuals shall receive ITAs through the one-stop delivery system. [Section 134(G) of WIA] ITAs are funded with adult and dislocated worker funds authorized under Title I of WIA. However, individuals age 18 and above, who are eligible for training services under the adult and dislocated worker program, may receive ITAs through that program. Pursuant to a USDOL approved waiver of 20 CFR 664.510, older out-of-school youth (19-21) are also eligible for training services paid for with youth funds. ITAs pay for training services for skills in demand occupations, as provided by LMI data, from training providers on the approved list of eligible training providers. Payments may be made in a variety of ways, including the electronic transfer of funds through financial institutions, vouchers, or other appropriate methods. Payments

may also be made incrementally, through payment of a portion of the costs at different points in the training course. **(663.410.)**

In addition to guidance provided by the State, Local Areas should develop Policies and Procedures on the use of ITAs for participants enrolled in WIA. Local Individual Training Accounts policy should incorporate the following:

1. How participants will receive assessment, counseling, and an individual employment plan through intensive services prior to selecting a training program.
2. How the training will be limited to skills relevant to demand occupations. The manner in which participants will learn of the demand occupations or skills. How exceptions to the list of locally recognized demand occupations will be handled. The law allows for the local WIB to approve training services for occupations they have determined to be in sectors of the economy that have a high potential for sustained demand or growth in the local area. The demand occupations or skills are to be contained in the local workforce development plan and the local WIB must be involved in the exception process.
3. How the ITA training services policy will be communicated in simple, understandable language to customers of the one-stop center, including delivery methods.
4. How the participant will have access to the list of eligible providers through the one-stop system. Participants must be able to select WIA training services from any eligible training provider from any of the local areas on the state list. The State Workforce Investment Office has compiled a single list of eligible providers and it is posted on the Internet.
5. Whether the ITA covers books, fees, or other instructional materials in addition to tuition.
6. The duration of the ITA.
7. How the value of each ITA will be determined (e.g., will there be a cap on value, will the cap vary for occupations or populations, etc.) A range of amounts may be established and/or a maximum amount applicable to all ITAs may be established. If a dollar amount and/or durational limit for an individual participant are established, how such limit(s) will be based on the needs of the participant as identified in the individual employment plan. Dollar amount and/or durational limitations established by WIB policies must be described in the local workforce investment plan. Limitations established by Local Board policies should not be implemented in a manner that undermines the Act's

requirement that training services are provided in a manner that maximizes customer choice in the selection of an eligible training provider.

8. A process for documenting how other sources of funding were sought prior to ITA (e.g., Pell Grants, scholarships, one-stop programs other than WIA, etc.)
9. The internal procedures for evaluating, endorsing, publicizing and facilitating access to training services.
10. A formal process for tracking WIA Title I expenditures paying for the individual's training.
11. The method for disbursement of funds. Only training providers that are on the list of eligible providers are able to redeem ITAs for payment.
12. Procedures to for notification from the provider that the WIA participant has dropped out of the training, triggering the provider's reimbursement policy.

**Limited Exceptions to the use of Individual Training Accounts:**

Individual Training Accounts are the primary method for the payment of occupational skills training leading to a degree, certification, or employer recognized skill certification under WIA. Contracts for services may be used instead of ITAs only when one of the following three exceptions apply:

1. When the services provided are on-the-job training (OJT) or customized training.
2. When the local WIB determines that there are an insufficient number of eligible providers in the local area. The local plan must describe the process to be used in selecting the providers under a contract for services. This process must include a public comment period for interested providers of at least thirty (30) days.
3. When the local WIB determines that there is a training services program of demonstrated effectiveness offered in the area by a community-based organization or another private organization to serve special participant populations (as defined below) that face multiple barriers to employment. The WIB must develop criteria to be used in determining demonstrated effectiveness, particularly as it applies to the Special Participant Population to be served. The criteria may include, but are not limited to:
  - A. Financial stability of the organization;
  - B. Demonstrated performance in measures appropriate to the program including program completion rate; attainment of the skills, certificates

or degrees the program is designed to provide; placement after training in unsubsidized employment and retention in employment;

- C. The relevance of the specific program to the workforce investment needs identified in the local plan.

The term "Special Participant Population that faces multiple barriers to employment" means a population of low-income individuals that is included in one or more of the following categories: (1) individuals with substantial language or cultural barriers; (2) offenders; (3) homeless individuals; and (4) other hard-to-serve populations as defined by the Governor.

Exceptions are intended to meet special needs and should be used infrequently. Those training providers operating under the ITA exceptions still must qualify as eligible providers.

### **Consumer Choice**

Training services, whether accessed by ITAs or under contract, must be provided in a manner that maximizes informed consumer choice in selecting an eligible training services provider in accordance with the goals and objectives outlined in the client's individual employment plan.

The local Workforce Investment Board, through the local one-stop center, must make available to customers the State list of eligible providers required in WIA Section 122(e). An individual who has been determined eligible for training services may select a provider from the State eligible training provider list after consultation with local staff. The local WIB sets the policies for accessing ITAs.

### **Coordination of Individual Training Accounts with other Grant Assistance**

The Workforce Investment Act requires that training funds be coordinated with other grant sources for training such as the Pell Grant.

The Workforce Investment Act limits funding for training to individuals who are:

- a. Unable to obtain grant assistance from other sources to pay the costs of their training; or
- b. Require assistance beyond that available under grant assistance from other sources to pay the costs of such training.

Training providers must consider the availability of Pell Grants and other sources of financial assistance to pay for training costs, so that WIA funds supplement other sources of training grants. Program operators and training providers must coordinate available funds to pay for training and prevent duplication of payments.

The exact mix of funds should be determined based on the availability of funding for either training costs or supportive services, with the goal of ensuring that the costs of the training program the participant selects are fully paid and that necessary supportive services are available so that the training can be completed successfully. This determination should focus on the needs of the participant and satisfy the three conditions:

- WIA funds for training services are limited to instances when there is inadequate or no grant assistance from other sources.
- Duplicate payments of costs when an individual is eligible for both WIA and other assistance including Pell Grants must be avoided.
- Participation in a training program funded under WIA may not be conditioned on applying for or using a loan to help finance training costs. Program operators and training providers must coordinate by entering into arrangements with the entities administering the alternate sources of funds, including eligible providers administering Pell Grants **[663.320(b).]** These entities should consider all available sources of funds, excluding loans, in determining an individual's overall need for WIA funds. The WIA counselor needs to work with the WIA participant to calculate the total funding resources available as well as to assess the full "education and education related costs" (training and supportive services costs) if the participant is to complete the chosen program. Section 134(d)(4)(B)(ii) permits a WIA participant to enroll in a training program with WIA funds while an application for Pell Grant funds is pending. However the WIB must be reimbursed if both funding sources end up paying the same costs for the same client. When the agreements negotiated are performance-based contracts, one stop centers must prohibit training institutions or organizations from holding the student liable for outstanding charges. Otherwise, the performance agreements would be undercut because the incentive for the institution or organization to perform would be removed. Also, the practice of withholding Pell Grants from students is prohibited by the U. S. Department of Education.

**Local policy shall include these items related to coordination of ITAs with other grant assistance:**

1. Formal procedures so participants will be assisted early in the assessment process, as appropriate, to establish eligibility for HEA Title IV funds and other forms of financial aid. This includes providing the appropriate application forms to participants and providing any needed assistance in completing and submitting these forms.

2. Guidelines to determine and document, prior to training enrollment, that to the extent practicable, available Federal, State, and local resources are coordinated sufficiently to meet the training and education-related costs of services, so that the participant can afford to complete the agreed-upon program successfully. Resources may include wages earned by the participant through employment while attending training.
3. How local staff will record the participant training-related financial assistance needs and the mix of funding assistance (employment and training and HEA funding) in the participant's record. Also, local policy will establish a methodology to determine the participant training-related financial assistance needs.
4. Procedures and forms to authorize release of a participant's financial aid information by the post-secondary institution.
5. That the ITA contains language requiring the educational institution's financial aid officer to inform the local WIB staff of the amounts and disposition of any HEA, Title IV awards and other types of financial aid to each participant awarded after the enrollment of the participant, as part of a continuing, regular information sharing process. Also, the ITA contains language which must establish safeguards to ensure that WIA (and other one-stop partner) funds are used in addition to funds otherwise available and is coordinated with these funds.
6. That participants are not required to apply for or access student loans or incur personal debt as a condition of participation. However, the participant may incur personal debt when agreed to and after counseling regarding the responsibilities associated with the indebtedness, including loan repayment. Such counseling must be acknowledged in the participant's record.
7. That local WIB staff must develop appropriate contractual safeguards in the contract with the post-secondary institution to prevent the participant from being billed for outstanding charges. Such language is particularly important when performance-based or other service provider contracts are used where payment may be withheld based upon contractor performance.
8. WIBs are encouraged to develop policies and local operating procedures concerning the cost of training and training-related expenses that reflect prudent fiscal management and results in outstanding customer satisfaction. Every effort should be made to honor the commitments made to clients. However, clients must also understand that they must assume equal individual responsibility for the success of their training.

## **Background on the Pell Grant**

Federal Pell Grants are considered to be the foundation of a student's financial aid, to which other Federal and non-Federal sources of aid may be added. Pell Grants are reserved for the student's use to cover tuition and living expenses incurred for undergraduate, post-secondary education or training. Preliminary eligibility for a Pell Grant can, and should, be determined before the participant enrolls in a particular school or training program. The application for determining eligibility and ultimately the amount of the grant should be readily available at all one-stop centers for assistance in the completion of these "gateway" financial aid applications.

The Student Financial Aid Program uses the following two figures when calculating a student's eligibility for and amount of Pell Grant assistance:

- The Expected Family Contribution (EFC) formula is the standard formula used in determining financial need for Federal Pell Grants and other student financial aid programs. The EFC is based on information the student reports on the financial aid application form.
- The Cost of Attendance (COA) is an estimate of a student's education expenses for the period of enrollment. These expenses include tuition and fees, room and board, books, supplies, transportation and miscellaneous expenses, childcare, and special costs for handicapped students/participants. For WIA purposes, a student's unmet financial need for Student Financial Aid Program funds is equal to the student's Cost of Attendance, minus his/her Expected Family Contribution, minus his/her Pell Grant eligibility, minus financial aid from other sources. The total aid a student may receive from all sources may not exceed the student's Cost of Attendance. [A student may borrow the amount of the EFC from the Federal Family Education Loan Program (FFELP).]

**V. ACTION:** This policy should be distributed to local staff that manages the Eligible Training Provider system in order to insure that the provisions of this policy are complied with. Coordination of both Local Areas is recommended in the development of Local Policies and Procedures that govern the use of ITAs.