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STATE OF MICHIGAN
DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT
TALENT INVESTMENT AGENCY
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DIRECTOR

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**OFFICIAL
Policy Issuance (PI): 17-12**

Date: July 14, 2017

To: Michigan Works! Agency Directors

From: Wanda M. Stokes **SIGNED**
Director

Subject: Instructions for Executing Infrastructure Funding Agreements (IFAs) Under the Workforce Innovation and Opportunity Act (WIOA) of 2014

Programs Affected: All programs funded through the Talent Investment Agency (TIA)

References: The WIOA of 2014, Public Law 113-128

The WIOA Final Regulations, as published in the Federal Register on August 19, 2016

U.S. Department of Labor (USDOL) Training and Employment Guidance Letter (TEGL) 16-16, issued January 18, 2017

USDOL TEGL 17-16, issued January 18, 2017

PI 15-29, issued December 1, 2015, or any policy that replaces PI 15-29

PI 11-37 Change 2, issued May 11, 2015, or any policy that replaces PI 11-37 Change 2

Rescissions: None

Background: The WIOA, which supersedes the Workforce Investment Act of 1998, presents an extraordinary opportunity to improve job and career options for our nation's workers and job seekers through an integrated, job-driven public workforce system that links diverse talent to businesses. The WIOA supports the development of strong, vibrant regional economies where businesses thrive, and people want to live and work. This revitalized workforce system will be characterized by three critical hallmarks of excellence:

- 1) The needs of business and workers drive workforce solutions;

- 2) One-Stop Centers provide excellent customer service to workers, job seekers, and employers, and focus on continuous improvement;
- 3) The workforce system supports strong regional economies and plays an active role in community, economic and workforce development.

The WIOA requires local boards, with the agreement of the Chief Elected Official, to develop and execute Memorandums of Understanding (MOUs) with One-Stop partners concerning the operation of the One-Stop delivery system in the local service delivery area. In accordance with the WIOA at Section 121(c) and the WIOA Final Regulations at 678.500, the MOUs must also include an IFA, which details how infrastructure costs for the One-Stop delivery system will be funded in the local area. IFAs must adhere to the provisions outlined by the WIOA at Section 121(h) and the WIOA Final Regulations at 678.700 thru 678.755.

Policy:

Consistent with PI 17-09, or any subsequent changes regarding Instructions for Executing MOUs under the WIOA of 2014, an IFA must be executed between the local board and each of the required One-Stop partners and attached as an addendum to the MOU. Infrastructure costs should be funded through the Local Funding Mechanism (LFM) described in this policy. Failure of a local area to come to consensus regarding the terms of the IFA will trigger the State Funding Mechanism (SFM). In the SFM, the Governor determines One-Stop partner contributions after consultation with the Chief Elected Officials, local boards, and the State Workforce Development Board. Further guidance regarding the SFM will be provided in a future change to this policy.

Infrastructure costs of a One-Stop are defined as non-personnel costs that are necessary for the general operation of the One-Stop center, including but not limited to facility costs, utilities and maintenance, equipment (including assessment related and assistive technology for individuals with disabilities); and, technology to facilitate access to the One-Stop center, including technology used for the center's planning and outreach activities (WIOA Section 121(h)(4)). Each entity that carries out a program or activities in a local One-Stop must use a portion of the funds available for the program and activities to maintain the One-Stop delivery system, including payment of the infrastructure costs of One-Stop centers.

Required partners must contribute toward infrastructure costs based on their proportionate use of the One-Stop delivery centers and relative benefits received. Required One-Stop partners are listed in Section 121(b)(1) of the WIOA, and at a minimum, IFAs must be developed and entered into with the partners described in PI 17-09, or any subsequent changes regarding Instructions for Executing MOUs Under the WIOA of 2014. Failure of a required partner to come to consensus regarding the terms of the IFA would trigger the SFM. Required partners would be subject to the SFM if it is triggered. Native American programs are required partners but are not required to contribute to the infrastructure costs.

If a local board chooses to include additional One-Stop partners, as listed in Section 121(b)(2) of the WIOA, an IFA must be executed, consistent with the

MOUs developed under PI 17-09, or any subsequent changes regarding Instructions for Executing MOUs Under the WIOA of 2014. Once a decision has been made to include an additional partner(s), they are subject to their proportionate share of infrastructure costs, according to the same guidelines as their mandated counterparts. Failure of an additional partner to come to consensus regarding the terms of the IFA would **not** trigger the SFM. Additional partners would not be subject to the SFM if it is triggered.

In the LFM, One-Stop partner programs may determine what funds they will use to pay for infrastructure costs. The use of these funds must be in accordance with the requirements outlined in the WIOA Final Regulations at 678.720, and with the relevant partner's authorizing statutes and regulations. The permissible types of funds used for infrastructure costs and the additional costs of operating a local One-Stop delivery system (i.e., a partner's program or administrative funds) may differ depending upon the partner program's authorizing law and implementing regulations. The funding types and sources permissible for the One-Stop partners are outlined in Attachment II of TEGL 17-16. All amounts contributed to infrastructure costs must be allowable and based on proportionate use of the One-Stop centers and relative benefit received by the partner program, and must be consistent with 2 Code of Federal Regulation (CFR) Part 200, including the federal cost principles.

There are no specific caps on the amount or percentage of overall funding a One-Stop partner may contribute to fund infrastructure costs under the LFM, except that contributions for administrative costs may not exceed the amount available for administrative costs under the authorizing statute of the partner program.

Cash, non-cash, and third-party in-kind contributions, as described in the WIOA Final Regulations at 678.720(c), may be provided by One-Stop partners to cover their proportionate share of the infrastructure costs. All partner contributions regardless of type must be reconciled on a regular basis, at least quarterly, comparing actual expenses incurred to relative benefits received, to ensure each partner program is contributing its proportionate share in accordance with the terms of the IFA.

Local boards may choose to develop and enter into a single "umbrella" IFA that includes multiple One-Stop partners, or the local board may develop and enter into separate agreements with each of the One-Stop partners. Further, two or more local areas in a planning region may develop a single joint IFA if they are in a planning region that has submitted a regional plan under Section 106 of the WIOA.

Each executed IFA must contain the signatures of the following representatives:

- 1) The Chief Elected Official.
- 2) The Workforce Development Board Chair.
- 3) The One-Stop partner(s).

IFA Development

The LFM affords local boards and local One-Stop partner programs flexibility to design and fund a One-Stop delivery system through consensus, to meet the needs of their local or regional area by leveraging the funds and resources available to optimally provide program services. The intent of the LFM is to encourage local areas to make a good-faith effort to reach consensus in developing a local IFA. In the LFM, the local board, Chief Elected Official(s), and One-Stop partners negotiate and agree to the amounts that each partner will contribute to One-Stop infrastructure funding, as well as the methods of calculating these amounts in order to include the infrastructure funding terms in the MOU as an IFA.

The IFA will determine equitable and stable methods of funding the costs of infrastructure at One-Stop centers based on proportionate use and relative benefit received. The specific methodologies used to allocate costs among the One-Stop partners are not prescribed in WIOA, its implementing regulations, the Uniform Guidance, or this policy. When developing the local IFA, local boards and partner agencies may choose from any number of cost allocation methods, provided they are consistent with the WIOA, its implementing regulations, and the Uniform Guidance, including the federal cost principles. Local boards may consider whether it is necessary to allocate costs by each One-Stop center separately if partner programs are not represented equally across all centers.

Initially, the local Board and One-Stop partners must determine the infrastructure costs budget, determine which cost allocation methodologies are reasonable and acceptable, and select the methodologies that will be applied to different cost categories. Partners should focus on identifying methodologies that most effectively allocate costs based upon proportionate use and relative benefits received by the partners. The negotiations of cost sharing and allocation among partners must be conducted in good faith and in an open and transparent environment where full disclosure of costs and funding is essential to the process. Additional guidance regarding allocation methodologies can be found in TEGL 17-16, pages 12-15.

IFA Content

The IFA contains the infrastructure costs budget, which is a component of the overall One-Stop operating budget and is a mandatory component of the local MOU. Consistent with 20 CFR 678.755, 34 CFR 361.755, and 34 CFR 463.755, IFAs must include the following elements:

- 1) **Duration:** The duration of the IFA may be a different time period than the duration of the MOU. An interim IFA, which should include as much detail as the local board has negotiated with the One-Stop partners with respect to infrastructure costs, must be submitted with the MOU no later than June 30, 2017. An IFA agreed upon through the LFM must be submitted no later than September 1, 2017. Failure to submit a fully executed IFA by September 1, 2017, will trigger the SFM for the remainder of Program Year (PY) 2017.

The IFA must be renewed at least annually prior to the start of a new program year. Further, the IFA should be renewed whenever substantial changes occur to the IFA and/or MOU, such as election of a new Chief Elected Official. An IFA, agreed upon through the LFM, must be submitted no later than March 31st, prior to the start of the new program year. For example, the PY 2018 IFA must be submitted by March 31, 2018. Failure to submit a fully executed IFA by that time will trigger the SFM for that program year.

2) **Infrastructure Costs Budget:** The infrastructure costs budget should specify the type and source of funds that will be used to pay for infrastructure costs. This may include program and/or administrative funds as allowable under each partner's authorizing statutes and regulations. The budget may include cash, non-cash, and third-party in-kind contributions as described in 20 CFR 678.720 and further detailed in TEGL 17-16, pages 15-17.

- **Cash contributions:** Cash contributions are cash funds provided to the local board or its designee by One-Stop partners, either directly or by an interagency transfer, or by a third party.
- **Non-cash contributions:** Non-cash contributions are expenditures incurred by One-Stop partners on behalf of the One-Stop center and goods or services contributed by a partner program and used by the One-Stop center. Examples include, but are not limited to loaned or gifted office furniture, office equipment, office supplies, pamphlets, brochures, signs, volunteer or training services (non-personnel), free or reduced rent, pro-bono legal services, and free advertising.
- **Third-party in-kind contributions:** Third-party in-kind contributions are contributions of space, equipment, technology, non-personnel services, or other like items by a non-partner (i.e., a third-party) to support the infrastructure costs associated with the One-Stop operations.

Generally, non-cash and third-party in-kind contributions are goods and/or services the organization would have purchased if not provided by the One-Stop partner. Non-cash and third-party in-kind contributions must be fairly evaluated in accordance with 2 CFR Part 200.

Amounts contributed for infrastructure costs must be allowable and based on proportionate use of the One-Stop centers and relative benefit received by the partner program taking into account the total cost of the One-Stop infrastructure, as well as alternate financing options, and must be consistent with 2 CFR Part 200, including the federal cost principles.

3) **One-Stop Partners:** The IFA must include identification of all One-Stop partners, Chief Elected Official(s), and the local board participating in the IFA. The contributions to the infrastructure costs must be negotiated between the identified partners.

- 4) **Modification and Review Process:** All partner contributions, regardless of type, must be reconciled on a regular basis (at least quarterly), comparing actual expenses incurred to relative benefits received to ensure each partner program is contributing its proportionate share in accordance with the terms of the IFA. The IFA must describe the periodic modification and review process to ensure equitable benefit among One-Stop partners. This should include a plan for reconciling actual expenses incurred to relative benefits received.
- 5) **Steps to Reach Consensus:** The IFA must describe the steps the local board, Chief Elected Official(s), and One-Stop partners used to reach consensus under the LFM. If the local area failed to come to consensus and the SFM is triggered, a signed IFA is still required. Under the SFM, the IFA must provide assurance that the local area followed the SFM process.
- 6) **Problem Resolution:** The IFA must describe the process to be used among partners to resolve issues related to infrastructure funding during the MOU duration period when consensus cannot be reached.

Local areas may incorporate required MOU language into their service provider contracts in lieu of executing a formal MOU. The IFA should be included as an addendum to the service provider contracts if no formal MOU is executed.

IFA Impasse

The local board must report to the Governor and relevant state agencies when IFA negotiations with One-Stop partners have reached an impasse or failed to reach consensus by September 1, 2017, or March 31st, in future program years. Once notified, the Governor must administer infrastructure funding through the SFM as described in 20 CFR 678.730 thru 678.738.

Once a local board has informed the Governor that no consensus has been reached, the local board must provide the Governor with local negotiation materials, in accordance with 20 CFR 678.735(a). The Governor must determine the One-Stop center budget by either accepting a budget previously agreed upon by partner programs in local negotiations, or creating a budget for the One-Stop center using the State Workforce Development Board formula described in 20 CFR 678.745. The Governor will then establish a cost allocation methodology and determine each One-Stop partner's proportionate shares of infrastructure costs.

The state emphasizes the importance of local One-Stop partners, local boards, and Chief Elected Officials reaching consensus on infrastructure funding during local negotiations, thus avoiding the necessity of utilizing the SFM. Local parties involved are more likely to understand the needs of the local area's workforce, how to best meet these needs through the One-Stop delivery system, and the resources needed to meet these needs. The LFM allows the local area the flexibility to determine the best way to utilize their local resources, and there are no specific programmatic caps on the amount

or percentage of overall funding a One-Stop partner may contribute to fund infrastructure costs. The SFM must take into account programmatic caps, which can create uncertainty for local One-Stop partners regarding how much they will be required to contribute toward infrastructure costs and the level of service they will be able to provide to their participants. Since the Governor, not the One-Stop partners, has the final say under the SFM concerning proportionate shares of each local One-Stop partner and the allocation method under which this is calculated, a One-Stop partner could pay far more under the SFM than it would have paid under the LFM.

State Funding Mechanism

Under the SFM, the Governor is required to calculate the statewide funding caps and the amount available for local areas that have not reached consensus and to determine the partners' contributions for infrastructure costs using the process outlined in 20 CFR 678.730 thru 678.738. The Governor calculates the statewide caps by considering total funding for a partner's program against the statutory caps specified in the WIOA for infrastructure costs. The SFM is only applicable to required One-Stop partners, and cannot be triggered by additional One-Stop partners not reaching consensus.

The State Workforce Development Board will develop an allocation formula to allocate funds to local areas to support infrastructure costs for local One-Stop centers for all local areas that did not reach an agreement via the LFM. The allocation formula will take into account the number of One-Stop centers in a local area, the population served by such centers, the services provided by such centers, and other factors relating to the performance of such centers that the State Workforce Development Board determines is appropriate, and that is consistent with federal cost principles.

The SFM has eight discrete steps that must be followed by the Governor and local board, as listed below and described in detail in TEGL 17-16, pages 20-27.

- 1) Notice of failure to reach consensus given to the Governor.
- 2) Local negotiation materials provided to the Governor.
- 3) Governor determines One-Stop center infrastructure budget(s).
- 4) Governor establishes cost allocation methodology.
- 5) Partners' proportionate shares are determined.
- 6) Governor calculates statewide caps.
- 7) Governor assesses the aggregate total of infrastructure contributions as it relates to the statewide cap.
- 8) Governor adjusts proportionate shares.

Further guidance regarding the SFM will be provided in a future change to this policy.

A One-Stop partner may appeal the Governor's determination regarding their portion of funds to be provided for infrastructure costs. The appeals process is described in the Unified State Plan and is consistent with the current Grievance and Complaint Policy 11-37 Change 2.

A sample MOU and Infrastructure Costs Toolkit and additional information may be found at [DOL WorkforceGPS](#).

Action: All local boards are required to develop and enter into IFAs in compliance with the provisions of the WIOA, the WIOA Final Regulations, federal guidance, and this policy issuance.

Note: Information contained in the sample IFA (Attachment A) and the sample Notice of Failure to Reach Consensus (Attachment B) should be adapted to meet the particular circumstances in your local area. Local boards are required to notify the Governor of failure to reach consensus on the IFA(s).

Copies of the executed IFAs developed under the LFM or notice of failure to reach consensus must be submitted to the TIA no later than September 1, 2017. Copies of the executed IFAs or notices of failure to reach consensus must be submitted to:

Michigan Talent Investment Agency
Targeted Services Division
Attn: Ms. Pam Vance
201 North Washington Square, 5th Floor
Lansing, Michigan 48913

Inquiries: Questions regarding this policy should be directed to your Dislocated Services state coordinator.

The information contained in this policy issuance will be made available in alternative formats (large type, audio tape, etc.) upon request to this office. Please contact Ms. Pam Vance at 517-373-6234 or via email at VanceP1@michigan.gov for details.

Expiration Date: Continuing

WMS:VB:pv

**MICHIGAN WORKS! SYSTEM
INFRASTRUCTURE FUNDING AGREEMENT
BETWEEN**

AND THE

WORKFORCE DEVELOPMENT BOARD (WDB)

**Part I
General Information**

This Infrastructure Funding Agreement (hereinafter referred to as the IFA) establishes the terms and conditions between _____ (hereinafter referred to as partner) and the local Workforce Development Board (hereinafter referred to as the WDB) for the _____ Michigan Works! Agency. This IFA is entered into for the purpose of delineating the respective roles and responsibilities of the _____ (partner) as a One-Stop partner, in compliance with the provisions of the Workforce Innovation and Opportunity Act (WIOA) of 2014, Section 121(h). By signing this IFA, the parties agree to abide by the terms, conditions, goals, and principles set forth herein.

This IFA is designed to ensure that all One-Stop partner programs contribute to the infrastructure costs of the One-Stop delivery system in the _____ Michigan Works! service delivery area, as required by 20 Code of Federal Regulations 678.700 thru 678.760. In addition, this IFA establishes joint processes and procedures for reviewing and modifying infrastructure funding contributions to ensure each partner program is contributing its proportionate share in accordance with the terms of the IFA.

**Part II
Infrastructure Costs Budget**

The _____ (partner) agrees to the following:

- Detailed listing of infrastructure funding contributions, including the type (program, administrative, etc.) and source (cash, non-cash, and third-party in-kind contributions), consistent with applicable rules, regulations, and policies.

The WDB agrees to the following:

- Detailed listing of infrastructure funding contributions, including the type (program, administrative, etc.) and source (cash, non-cash, and third-party in-kind contributions), consistent with applicable rules, regulations, and policies.

**Part III
Modification and Review**

The _____ (partner) agrees to the following:

- Detailed listing of the process that will be used to reconcile planned contributions with actual expenses incurred.

The WDB agrees to the following:

- Detailed listing of modification and review methods/processes.

**Part IV
Consensus Strategies**

The _____ (partner) agrees to the following:

- Detailed listing of steps/methods/processes used to reach consensus, or assurance that the local area followed the State Funding Mechanism process.

The WDB agrees to the following:

- Detailed listing of steps/methods/processes used to reach consensus, or assurance that the local area followed the State Funding Mechanism process.

**Part V
Problem Resolution**

The _____ (partner) agrees to the following:

- Detailed listing of methods/processes to be used to resolve issues related to infrastructure funding.

The WDB agrees to the following:

- Detailed listing of methods/processes to be used to resolve issues related to infrastructure funding.

**Part VI
Other Provisions**

The _____ (partner) agrees to the following:

- Detailed listing of other provisions agreed to, if applicable.

The WDB agrees to the following:

- Detailed listing of other provisions agreed to, if applicable.

**Part VII
Duration of Agreement**

In accordance with the provisions of the WIOA of 2014, this IFA is effective this _____ day of _____, 201_ by and between the _____ WDB and _____ (partner), as system partners. This IFA shall remain in effect until _____, or unless otherwise terminated by mutual agreement of all signing parties, under the following condition:

Any party may withdraw from this IFA by giving written notice of intent to withdraw at least 30 calendar days in advance of the effective date of the withdrawal. Notice of withdrawal shall be given to all parties covered by this agreement. Should any partner withdraw, this IFA shall remain in effect in its entirety with respect to the remaining parties until the expiration date of this agreement, or a new IFA is executed, whichever occurs first.

All signing parties assure that this IFA will be reviewed and renewed at least annually prior to the start of a new Program Year, or when substantial changes occur.

**Part VIII
Procedure for Amendment or Assignment**

This IFA may be modified at any time by written agreement of the parties. Such amendments will require the signature of all parties affected by such amendment. Assignment of responsibilities under this IFA by any of the parties shall be effective upon written notice to the other parties. Any assignee shall also commit in writing to the terms of this IFA.

**Part IX
Certification**

The undersigned hereby agree to abide by all terms and conditions outlined in this agreement, or in any amended version of this Agreement, for the duration of this Agreement.

Approval on behalf of Partner: _____ (Partner Entity Name)

Print Name and Title _____
Date

Signature of Partner _____
Date

Approval on Behalf of the WDB _____
Date

Print Name of WDB Chair _____
(Or authorized signatory of WDB member demonstrating compliance
pursuant to 20 CFR Section 679.430) Date

Signature of WDB Chair _____
(Or authorized signatory of WDB member demonstrating compliance
pursuant to 20 CFR Section 679.430) Date

Approval on Behalf of Chief Elected Official (CEO) _____
Date

Print Name of CEO _____
(Or authorized signatory of WDB member demonstrating compliance
pursuant to 20 CFR Section 679.430) Date

Signature of CEO _____
(Or authorized signatory of WDB member demonstrating compliance
pursuant to 20 CFR Section 679.430) Date

**MICHIGAN WORKS! SYSTEM
NOTICE OF FAILURE TO REACH CONSENSUS
FOR INFRASTRUCTURE FUNDING
BETWEEN**

AND THE

WORKFORCE DEVELOPMENT BOARD (WDB)

An Infrastructure Funding Agreement (IFA) must be executed between the local WDB and each of the required One-Stop partners in compliance with the provisions of the Workforce Innovation and Opportunity Act (WIOA) of 2014, Section 121(h). This notice establishes the WDB for the _____ Michigan Works! Agency failed to reach consensus for infrastructure funding for Program Year 201__.

The WDB agrees to provide appropriate and relevant materials and documents used in the negotiations under the local funding mechanism, including but not limited to:

- The local WIOA plan;
- The cost allocation methodology or methodologies proposed by the partners to be used in determining their proportionate share of infrastructure costs;
- The proposed amounts or budget to fund infrastructure costs and the amount of partner funds included;
- The type of funds (cash, non-cash, and third-party in-kind contributions) available;
- Any proposed or agreed upon One-Stop center or system budget; and
- Any partially agreed upon, proposed, or draft IFAs.

Print Name of WDB Chair
(Or authorized signatory of WDB member demonstrating compliance pursuant to 20 CFR Section 679.430)

Date

Signature of WDB Chair
(Or authorized signatory of WDB member demonstrating compliance pursuant to 20 CFR Section 679.430)

Date

Print Name of Chief Elected Official (CEO)
(Or authorized signatory of WDB member demonstrating compliance pursuant to 20 CFR Section 679.430)

Date

Signature of CEO
(Or authorized signatory of WDB member demonstrating compliance pursuant to 20 CFR Section 679.430)

Date