Policy Letter #20

TO: **All Mid-Carolina Workforce Development Service Providers**

FROM: **Samantha Wullenwaber, Director**

SUBJECT: **Incumbent Worker Training (IWT) Policy**

PURPOSE

This policy provides guidance on Workforce Innovation and Opportunity Act (WIOA) Section 134(d)(4) which allows Workforce Development Boards (WDBs) to use up to 20% of the combined Adult and Dislocated Worker allocated formula program funds to serve Incumbent Workers (IWs).

BACKGROUND

Incumbent Worker Training (IWT) is designed to meet the special requirements of an employer (including a group of employers) to retain a skilled workforce or avert the need to lay off employees by assisting the workers in obtaining the skills necessary to retain employment. The IWT should increase the competitiveness of the employee and employer for the purposes of identifying high-quality IW opportunities. An ideal IWT would be one where a participant acquires new skills allowing him or her to move into a higher paid job within the company; thus, allowing the company to hire a job seeker to backfill the incumbent worker's position.

To strengthen the workforce system, per WIOA Section 134(d)(4), WDBs are permitted the use of up to 20% of the combined total of Adult and Dislocated Worker allocated formula program funds for NCWorks IWT. An IW is not subject to eligibility requirements for Adults under WIOA, but demographic information is required.

ACTION

The intent of the Mid-Carolina Workforce Development Board's (WDB's) Incumbent Worker Training (IWT) grant is competitive training grant through which established qualifying businesses in Cumberland County, Harnett County, Montgomery County, Moore County, and Sampson County North Carolina can address employees' skills gaps and impact company stability. These skills gaps may arise when a worker's job responsibilities or requirements change, or when a worker's position may be at risk of elimination and skill upgrading is required to assume new responsibilities. Addressing these gaps should result in increased knowledge, attainment of certifications, and enhanced competitiveness for both the employee and the employer. Potentially eligible employers for participation in Incumbent Worker Training (IWT) contracting include private for-profit businesses, private non-profit organizations, and public sector employers.

Definition of Incumbent Worker

Per WIOA regulations (20 CFR 683-200(g)), "no individual may be placed in an employment activity if a member of that person's immediate family is directly supervised by or directly supervises that individual." For the purposes of this policy, the term "immediate family" includes a spouse, child, son-in-law, daughter-in-law, parent, mother-in-law, father-in-law, sibling,

brother-in-law, sister-in-law, aunt, uncle, niece, nephew, stepparent, stepchild, grandparent, and grandchild.

An Incumbent Worker is:

- at least 18 years of age and a paid employee of the applicant business or businesses;
- in a relationship that meets the Fair Labor Standards Act requirements for an employer-employee;
- an employee with an established employment history with the employer for six (6) months or more (*see exception);
- a citizen of the United States or a non-citizen whose status permits employment in the United States; and
- an employee to be trained who works at a facility located in North Carolina.

*If training within a cohort, not every employee in the cohort is required to have an established employment history with the employer for six (6) months or more as long as more than 50% of those employees being trained meet the employment history requirement as stated in Training and Employment Guidance Letter (TEGL) 19-16.

Definition of an Employer-Employee Relationship

An Employer-Employee Relationship must exist between the worker and the employer. Workers who are economically dependent on the business of the employer and will receive a W-2 form for tax filing purposes have an employer-employee relationship.

Individuals who do not meet the definition of the employer-employee relationship are:

- those who will receive a 1099 form for tax filing purposes; or
- those who are placed through a temporary agency.

Employer Eligibility

An eligible employer will:

- be current on all tax obligations;
- have an employer-employee relationship with at least 5 employees;
- have been in operation in North Carolina for 12 or more months prior to the submission deadline date; and
- provide participant data;
- be willing and able to meet the program's non-federal share requirements
- are current on all federal and state tax obligations; and
- are financially viable are eligible to apply.

IWT is not permitted to be used to provide occupational training for new hires. IWT can be used by employers to either:

- help avert potential layoffs of employees, or
- assist/help improve the skills necessary to retain employment, such as increasing the skills of employees so they can be promoted within the company and create backfill opportunities for less-skilled employees

When determining an employer's eligibility for participation, staff must consider the following factors:

- the characteristics of the individuals in the program;
- the relationship of the training to the competitiveness of a participant and the employer; and,
- Other such factors may include:
  - the number of employees participating in the training;
  - the wage and benefit levels of those employees (at present and anticipated upon completion of the training);
  - the existence of other training and advancement opportunities provided by the employer;
  - the credentials and skills gained as a result of the training;
  - layoffs averted as a result of the training;
  - utilization as part of a larger sector and/or career pathway strategy; and
  - employer size

A employer is not eligible to receive WIOA IWT reimbursements if:

- the employer has any other individual on layoff from the same or substantially equivalent position;
- the IWT would infringe upon the promotion of or displacement of any currently employed worker or a reduction in their hours;
- the same or a substantially equivalent position is open due to a hiring freeze;
- the positions are for seasonal employment;
- the employer is a private for-profit employment agency (i.e. temporary employment agency, employee leasing firm, or staffing agency); or
- the position is not full time (minimum of 32 hours per week).

Non-Federal Share Requirements

An employer or group of employers must pay for a portion of the cost of providing the training to IWs. This portion is defined as the non-federal share and rules for matching are provided at Uniform Guidance 2 CFR 200.306 and 2 CFR 2900.8, respectively, WIOA Section 134(d) (4) (D), and the U.S. Department of Labor Training Employment Guidance Letter (TEGL) 19-16.

The non-Federal share shall be:

- At least 10 % of the cost, for employers with 50 or fewer employees;
- At least 25 % of the cost, for employers with 51 to 100 employees; and
- At least 50 % of the cost, for employers with more than 100 employees.

The size of the employer may be determined by the number of employees currently employed at the local operation where the incumbent worker training will occur.

The non-Federal share may include the amount of wages paid by the employer to a worker while the worker is participating in IWT. The employer may provide the share in cash or in-kind, fairly evaluated. Other examples of an employer's non-Federal share are training equipment purchases, onsite facility usage, employees' food, travel, and/or lodging.

Funding Resources
The WDBs are encouraged to leverage all available resources, internal and external, to maximize the impact of WBL opportunities for employers and individuals.

- Formula funds – The WDBs may use up to 20% of the combined total of Adult and Dislocated Worker allocated formula program funds for employee trainings to meet a specific employer need.
- Braided Funding - Braided funding helps encourage collaboration with partner programs, such as apprenticeship, customized training, Career and Technical Education, Employment and Independence for People with Disabilities (EIPD), and others, can help streamline processes and offer multiple employee training options. Braided funding helps WBL programs stretch their funding to help more employers. All employers and employees must meet the WIOA criteria. The contract will be written with the lead employer who must have employees included in the training.
- Other funding grants/opportunities – Eligibility criteria and/or specific training needs may best align with criteria for other workforce grants. The WDBs are encouraged to explore all options to help stretch federal WIOA formula funds.

Grant Applications & Selection
The grant is administered by the Mid-Carolina Workforce Development Board (WDB). Applications must be submitted directly to the Mid-Carolina WDB staff, which may request additional information or establish supplemental provisions and requirements for training applications.

Employers are encouraged to contact the Business Services Representative (BSR) to inquire about funding availability, program guidelines, and other requirements. Applications are provided as a fillable PDF document, and all required information must be completed within the form.

Mid-Carolina WDB staff will review applications for viability and make funding recommendations based on the Mid-Carolina WDB IWT criteria. The number of awards approved per program year will depend on funding availability and the number of eligible applications received.

The BSR will notify businesses of the action taken on their applications. The Mid-Carolina WDB, in coordination with WIOA Service Providers, will begin developing a contract with each successful applicant. Contracts must be executed within 30 days of the date of the Notice of Funds Availability cover letter issued by the Mid-Carolina WDB. Each contract will outline all processes and expectations for administering, implementing, and completing the training. If a contract is not executed within the 30-day timeframe, the grant award will become null and void, and the business will need to re-apply in a future funding round.

Each grant will be monitored and evaluated by Mid-Carolina WDB staff, with outcomes reported to the Mid-Carolina WDB.

Grand Awards & Schedule
Grants are awarded on a competitive, as-needed basis and are contingent upon the availability of

funds. Eligible businesses may apply for up to $25,000 per program year, provided they do not exceed the $100,000 lifetime maximum limit per employer.

The Mid-Carolina WDB's goal is to expend all awarded funds within the program year; however, each business awarded an IWT grant will have up to six (6) months to complete training, which may extend beyond the close of the program year.

PROGRAM YEAR BEGINS	PROGRAM YEAR ENDS
July 1st	June 30th

Reimbursable/Non-Reimbursable Training Costs
The following is a listing of reimbursable and non-reimbursable training costs:

Allowable Training Costs

1. Training / Course registration
2. Training that results in participants obtaining an industry-recognized certification or credential to include training preparation for certification exams
3. Web-based online training
4. Employee skills assessment that results in primary training funded through the grant
5. Textbooks / manuals used 100% for the training activities
6. Materials and supplies directly related to the funded training
7. Travel for trainers: If the requested training is not available within reasonable proximity to the business. The terms of 'reasonable proximity' should be discussed with the WDB Business Services Representative (BSR) before application submission.
8. Process improvement or quality-related training to support the state's Layoff Aversion initiatives

Non-Allowable Training Costs

1. Employee-related costs such as wages, fringe benefits, etc.
2. Training-related costs incurred prior to the beginning date of the Agreement
3. Training that the business or an entity on the business's behalf already provides to its employees
4. Training that a business is mandated to provide on a regular basis to its employees by federal, state, or local laws
5. Continuing Education Units (CEUs) and other training that is specifically required for an employee or business to maintain licensure, certification, or accreditation
6. Courses that are part of a trainee's pursuit of an educational degree
7. Employment or training in sectarian activities
8. Curriculum design and/or training program development
9. Trainers employed by any business whose employees are being trained to include parent business employees
10. Purchase of employee assessment systems or systems usage licenses (example: site licenses)
11. Business website design and development, website hosting and maintenance,

software or hardware upgrades, advice on computer selection for purchase and upgrade
12. Third party compensation or fees not directly related to the provision of the requested training
13. Any costs that would normally be considered allowable, but for which there is no request/cost for training related to the item(s) within the application
14. Capital improvements, purchase of real estate, to include the construction or renovation of facilities or buildings, and capital equipment or other durable (long lasting and/or reusable) training materials
15. Business relocation or other similar/related expenses
16. Travel outside of contiguous United States or costs associated with bringing a trainer into the country
17. General office supplies and non-personnel services costs (example: postage and photocopying)
18. Membership fees/dues
19. Food, beverage, entertainment, and/or celebration-related expenses
20. Job/Position profiling
21. Publicity/public relations costs
22. Costs associated with conference

How IWT Can Be Used for Apprenticeships
The IWT funds can be used to upskill incumbent workers who are already employed and are enrolled in - or are candidates for - Registered Apprenticeship programs. This includes:

- Classroom instruction (Related Technical Instruction, or RTI);
- Customized training tied to progression within the apprenticeship; and
- Skills upgrades needed for new equipment, technology, or processes.

The IWT can help current employees gain the foundational skills they need to enter a Registered Apprenticeship, especially when:

- Workers lack specific competencies for RA entry; or
- Employers are expanding apprenticeship programs internally and need to prepare their workforce.

Incumbent Worker (IW) with Registered Apprenticeship
Individuals who are in Incumbent Worker Training while also in a USDOL or ApprenticeshipNC registered apprenticeship training program. The applicable NCWorks activity code (366) must be entered.

Reporting Requirements
Federal requirements mandate that, at a minimum, the following data for each employee in training must be captured. The NCWorks Online system will be used for tracking enrollments of IWT participants; therefore, WDBs must contact DWS NCWorks Online staff prior to beginning local IWT, in order to establish a special system code. The information below must be entered in the NCWorks System:

- Complete Name
- Contact Information

- Social Security Number
- NC Driver's License or State ID
- Gender
- Date of Birth
- Citizenship (Right-to-Work Status)
- Selective Service Compliance (male gender)
- Disability Status (if disclosed)
- Ethnicity and Race
- Highest School Grade Completed
- Highest Education Level Completed

The outcome measures should promote a skilled workforce by assisting workers in obtaining the skills necessary to retain employment or to avert layoffs and must increase both the workers' and the company's competitiveness. The workers served under WIOA will be reported using the NCWorks Online system.

In order to strengthen employer related data associated with WBL activities, **service providers are required to enter data in the Salesforce system for WIOA funded IWT WBL starting PY 25**.

REFERENCES

TEGL 10-16: Performance Accountability Guidance for WIOA Title I, Title II, Title III, and Title IV Core Programs
TEGL 19-16: Guidance on Services provided through the Adult and Dislocated Worker Programs under the WIOA and WP Employment Service (ES) as amended by title III of WIOA and for Implementation of the WIOA Final Rules
TEGL 21-22: Increasing Equitable Service Access and Employment Outcomes for All Jobseekers in WIOA Programs
OG 02-2021: Guidance for Local Incumbent Worker Grants
OG 07-2025: Work-based Learning Comprehensive Guidance

ATTACHMENTS

Attachment A: Incumbent Worker Training Business FAQs
Attachment B: Incumbent Worker Training Business Application
Attachment C: Incumbent Worker Training Application Assessment
Attachment D: Incumbent Worker Training Contract
Attachment E: Incumbent Worker Training Final Training Report

CREATION DATE

July 2022

REVISION DATES

January 2024
December 2024
September 2025
January 2026
March 2026