Tennessee WIOA Infrastructure Cost Sharing Guidelines for Local Workforce Development Areas

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STATE OF TENNESSEE GUIDANCE ON ONE-STOP INFRASTRUCTURE

1 INTRODUCTION

The American Job Center (AJC) network includes six core programs: Title I Adult, Dislocated Worker, and Youth programs; the Title II Adult Education and Family Literacy Act (AEFLA) program; the Wagner-Peyser Act Employment Service (ES) program, authorized under the Wagner- Peyser Act, as amended by Title III of WIOA; and the Vocational Rehabilitation (VR) program, authorized under Title I of the Rehabilitation Act of 1973, as amended by Title IV of WIOA. The American Job Center network also includes other required and additional partners identified in WIOA. Through the American Job Centers, these partner programs and their direct service providers ensure businesses and all job seekers-a shared client base across the multiple programs-have access to information and services that lead to positive educational and employment outcomes. Under WIOA, American Job Centers and partner staff strive to:

- Provide job seekers with the skills and credentials necessary to secure and advance in employment with wages that sustain themselves and their families;
- Provide access and opportunities to job seekers, including individuals with barriers to employment, as defined in section 3(24) of WIOA, such as individuals with disabilities, individuals who are English language learners, and individuals who have low levels of literacy, to prepare for, obtain, retain, and advance in high-quality jobs and high-demand careers;
- Enable businesses and employers to easily identify and hire skilled workers and access other human resource assistance, including education and training for their current workforce, which may include assistance with pre-screening applicants, writing job descriptions, offering rooms for interviewing, and consultation services on topics like succession planning and career ladder development, and other forms of assistance;
- Participate in rigorous evaluations that support continuous improvement of American Job Centers by identifying which strategies work better for different populations; and
- Ensure that high-quality integrated data inform decisions made by policy makers, employers, and job seekers.

1.1 SCOPE

All one-stop partners, whether they are required partners or additional partners, must contribute to infrastructure costs of the one-stop centers based on proportionate use and relative benefits received. The required one-stop partners must provide access to their programs in the comprehensive centers and contribute to the infrastructure costs of those centers. These partners also make available each partner program's applicable career services at the comprehensive one-stop centers and may contribute to shared services and shared operating costs.

Under WIOA and its implementing regulations, consistent with the Uniform Guidance, funding provided by the one-stop partners to cover the operating costs, including infrastructure costs, of the one-stop delivery system must be based on the partner program's proportionate use of the system and relative benefit received (WIOA sec. 121(h)(1)(B)(i) and 121(h)(2)(C)(i), 20 CFR 678.700 through 678.760, 34 CFR 361.700 through 361.760, and 34 CFR 463.700 through 463.760).

Pursuant to 20 CFR 678.705, the issuance of this guidance is for use by local areas in establishing guidelines to be used as follows:

1. To determine a partner programs' contributions to the one-stop delivery system based on proportionate use and relative benefit received;

2. To assist Local WDBs, chief elected officials, and one-stop partners in local areas in determining equitable and stable methods of funding the costs of infrastructure at one-stop centers based on proportionate use and relative benefit received; and

3. To establish timelines regarding notification to the Governor for not reaching local agreement and triggering the State funding mechanism described in 20 CFR 678.730, and timelines for a one-stop partner to submit an appeal in the State funding mechanism.

1.2 Background

WIOA builds on the value of the American Job Center network and provides the workforce development system with important tools to enhance the quality of its American Job Centers (AJCs). WIOA strengthens the ability of States, regions, and local areas to align investments in workforce, education, and economic development to respond to regional job growth. WIOA also emphasizes achieving results for all job seekers, workers, and businesses.

Each entity that carries out a program or activities in a local one-stop center, described in 20 CFR 678.400 through 678.410, 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. These payments must be in accordance with 20 CFR 678.410; Federal cost principles, which require that all costs must be allowable, reasonable, necessary, and allocable to the program and all other applicable legal requirements.

One-stop partners are the entities that carry out the program in a local area. The one-stop delivery system, as identified in 20 CFR 678.300, 34 CFR 361.300, and 34 CFR 463.300, must include comprehensive one-stop centers, and also may include affiliate one-stop centers or specialized one-stop centers. Required partner programs and additional partners that carry out their program in the local area are required to share infrastructure costs and certain additional costs (20 CFR 678.700(c), 678.415, and 678.420(b), 34 CFR 361.700(c), 361.415, and 361.420(b), and 34 CFR 463.700(c), 463.415, and 463.420(b)). All one-stop partners, whether they are required partners or additional partners, must contribute to infrastructure costs of the one-stop centers based on proportionate use and relative benefits received. The required one-stop partners must provide access to their programs in the comprehensive centers and contribute to the infrastructure costs of those centers. These partners also make available each partner program's applicable career services at the comprehensive one-stop centers and may contribute to shared services and shared operating costs.

1.3 Glossary

Term	Definition
Co-location	*Co-located Partners* Job Center partners who have a physical presence within the center(s), either full time, part time, or intermittent.
	Non Co-located Partners Job Center partners with no physical presence in the center(s).
Contributions	*Cash Contributions* Cash funds used to cover a partner's proportionate share of the AJC infrastructure costs. Can be paid either directly from the partner or through an interagency transfer on behalf of the partner (WIOA 20 CFR 678.720(c)). *Non-Cash Contributions* Expenditures made by one partner on behalf of the AJC or contributions of goods or services contributed by a partner for the center's use. Contributions must be valued consistent with Uniform Guidance 2 CFR 200.306 (20 CFR 678.720(c)). *Third Party In-Kind Contributions* Contributions by a non-AJC partner to support the AJC in general, not a specific partner; or contributions by a non-AJC partner to a AJC partner to support its proportionate share of the infrastructure costs. Unrestricted contributions that support the AJC in general would lower the total amount of infrastructure costs prior to proportionate division whereas restricted contributions can be used by the intended partner(s) to lower their share of the infrastructure costs (WIOA Joint Final Rule Section 678.720(c)(4)).
Full-time Equivalent (FTE)	The ratio of the total number of hours worked (whether part-time, full-time or contracted) divided by an average full-time work week (e.g., 40 hours). *Example: One employee who works 20 hours per week is expressed as .5 FTE.*
Infrastructure Costs	The non-personnel costs (i.e., rent, computers, phones, etc.) that are necessary for the general operation of the physical Job Center, including: • Rental/lease costs of facilities • Costs of utilities and maintenance • Equipment (including assessment-related products and assistive technology for individuals with disabilities) • Technology to facilitate access to the center, including the center's planning and outreach activities
Local Funding Mechanism	The process used by the Local WDB, CEO(s), and one-stop partners to negotiate and agree to the amounts that each partner will contribute for 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 Infrastructure Funding Agreement (IFA), and to sign the IFA and MOU in accordance with WIOA secs. 121(c)(2)(A)(ii) and 121(h)(l)(A)(i).
Memorandum of Understanding (MOU)	A document defining the agreement between the local board, CEOs and co-located partners relating to the operation of the workforce delivery system in the local area, including shared system and infrastructure costs.
One-Stop Partner	One-stop partners are the entities that carry out the program in a local area.

Proportionate Use	An amount that represents a required partner's portion of comprehensive Job Center infrastructure costs based on its proportionate use of the Job Center, relative to benefits received. This amount is determined through a reasonable cost allocation methodology that assigns costs to co-located partners in proportion to relative benefits received.
Relative Benefit	A measurement of a one-stop partner's share of infrastructure costs based on reasonable methods that are agreed to by all partners or determined in accordance with the SFM.
State Funding Mechanism	The process used by the State 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 as outlined in 20 CFR 678.730 through 678.738, 34 CFR 361.730 through 361.738, and 34 CFR 463.730 through 463.738.

2 Roles of One-Stop Partner Programs

As provided in TEGL 17-16, this section outlines the roles and responsibilities of Governor, State and Local WDBs, CEOs, and one-stop partners. Regarding this specific subject matter, the State has held several discussions and/or meetings with the partners and continues to seek additional comments through successive discussions and/or meetings.

Governor. After consultation with CEOs and the State and Local WDBs, the Governor must issue guidance, in accordance with 20 CFR 678.705, 34 CFR 361.705, and 34 CFR 463.705, about the funding of one-stop infrastructure costs to:

- State-administered one-stop partner programs, to determine partner contributions to the one-stop delivery system, based on each partner's proportionate use of the one-stop system and relative benefit received, consistent with the Uniform Guidance at 2 CFR part 200; and

- Local WDBs, CEOs, and one-stop partners, to assist in determining equitable and stable methods of funding infrastructure costs based on partners' proportionate use and relative benefit received from operating within the one-stop delivery system (WIOA sec.121(h)(1)(B)(i)). The guidance issued by the Governor must cover partner roles in identifying infrastructure costs; approaches to facilitate development of a reasonable cost allocation methodology/methodologies, in which infrastructure costs are charged based upon proportionate use and the relative benefits received by the partner; timelines for the appeal process; and timelines to notify the Governor of failure to reach a local consensus. The Governor also is responsible for performing many of the functions of the SFM, as is detailed above.

State WDBs. State WDBs consult with the Governor to assist with the issuance of guidance regarding the funding of infrastructure costs, as outlined above and in 20 CFR 678.705(a), 34 CFR 361.705(a), and 34 CFR 463.705(a). State WDBs also are responsible for the development of the formula used by the Governor under the SFM to determine a one-stop center's budget if either a budget was not agreed upon during initial local negotiations or the Governor rejects a budget for the reasons explained earlier in this guidance (20 CFR 678.745, 34 CFR 361.745, and 34 CFR 463.745).

Local WDBs. Local WDBs and one-stop partners must establish, in the MOU, an IFA for how the Local WDB and programs will fund the infrastructure costs of the one-stop centers (WIOA sec. 121(c)(1), 20 CFR 678.500(b)(2)(i), 34 CFR 361 .500(b)(2)(i), and 34 CFR 463.500(b)(2)(i)). If one-stop partners are unable to reach consensus on funding for infrastructure costs of one-stop centers, the Local WDB must notify the State WDB, Governor, and relevant State agency (20 CFR 678.510(c), 34 CFR 361.510(c), and 34 CFR 463.510(c)).

Chief Elected Officials. CEOs consult with the Governor to assist in issuing guidelines regarding the one-stop service delivery funding mechanism, as outlined above (20 CFR 678.705, 34 CFR 361.705, and 34 CFR 463.705).

One-Stop Partners. One-stop partners are to act in good faith and negotiate infrastructure costs and additional costs of operating a local one-stop delivery system in a transparent manner (20 CFR 678.510(a), 34 CFR 361 .510(a), and 34 CFR 463.510(a)). Jointly-funded infrastructure and additional costs are a necessary foundation for a one-stop service delivery system. Through the sharing of infrastructure costs and additional costs, partners are empowered to build a robust one-stop delivery system. By embracing the one-stop opportunities, one-stop partners are able to build community-benefiting bridges, rather than silos of programmatic isolation. These partnerships may reduce administrative burden and costs and increase customer access and performance outcomes.

Required one-stop partner programs have specific governance, operations, and service delivery roles, which are outlined in WIOA sec. 121(b)(1)(A) and 20 CFR 678.420, 34 CFR 361.420, and 34 CFR 463.420. Additional partners provide services and also must contribute towards the infrastructure and additional costs of operating a local one-stop delivery system.

3 Costs Allocation Methodology

As defined above, infrastructure costs are those non-personnel costs associated with operating an AJC. Each local area is expected to reach agreement on how infrastructure costs will be shared among required partners. These guidelines and requirements support the local area's effort in reaching an agreement for the allocation of these costs.

Each local area must develop an operating budget for the AJCs in its area. The operating budget is the financial plan to which the one-stop partners, CEO(s), and Local WDB in each local area have agreed in the MOU that will be used to achieve their goals of delivering services in a local area. The MOU must contain, among other things, provisions describing how the costs of services provided by the one-stop system and how the operating costs of such system will be funded, including the infrastructure costs for the one-stop system (WIOA sec. 121(c)(2)(A) and 20 CFR 678.500(b), 34 CFR 361.500(b), and 34 CFR 463.500(b)).

The one-stop operating budget may be considered the master budget that contains a set of individual budgets or components that consist of costs that are specifically identified in the statute: infrastructure costs, defined in WIOA sec. 121(h)(4); and additional costs, which must include applicable career services and may include shared operating costs and shared services that are related to the operation of the one-stop delivery system but do not constitute infrastructure costs. These additional costs are described in WIOA sec. 121(i). ***To determine total operating cost of the AJC, the State is requesting the budget also include direct costs. These are non-shared costs that are partner specific (i.e., Individual Training Accounts-ITAs).***

The one-stop operating budget must be periodically reconciled against actual costs incurred and adjusted accordingly. This reconciliation ensures that the budget reflects a cost allocation methodology that demonstrates how infrastructure costs are charged to each partner in proportion to the partner's use of the one-stop center and relative benefit received. The one-stop operating budget may be further refined by the one-stop partners, as needed, to assist in tracking their contributions. It may be necessary at times to separate the budget of a comprehensive one-stop center from a specialized one-stop center or an affiliate one-stop center.

The expected approach for funding infrastructure costs in the AJCs is through the development of a Local Funding Mechanism (LFM) where all co-located partners agree how infrastructure costs will be shared. In the event that a local area is unable to reach agreement, a State Funding Mechanism (SFM) will be put into effect as a last resort and remain in effect until such time that a local area can find consensus. The State Funding Mechanism process is described below.

The local board must select a methodology for the allocation of infrastructure costs. Any methodology selected must be consistent with federal laws that authorize each partner's programs, comply with the Uniform Guidance cost principles to include allowable, allocable reasonable and necessary costs, and be based on the proportionate use and benefit received by each partner's programs. (*See Attachment 5.2 - Examples of Cost Pools and Allocation Bases*)

Per TEGL 17-16, Proportionate Use and Relative Benefit are defined as follows:

Proportionate Use. For the purpose of this joint policy guidance, "proportionate use" refers to a partner program contributing its fair share of the costs proportionate to: (1) the use of the one-stop center by customers that may include reportable individuals and participants in its program at that one-stop center; (2) the amount of square footage occupied by the partner program in the one-stop center; or (3) another allocation base consistent with the Uniform Guidance.

Relative Benefit. In determining the proportionate share, the "relative benefit" received from participating in the one-stop delivery system is another step in the cost allocation process. Determining relative benefit does not require partners to conduct an exact or absolute measurement of benefit, but instead to measure a partner's benefit using reasonable methods. The Uniform Guidance, at 2 CFR 200.4, requires that the process of assigning a cost or group *of costs to one or more cost objectives must be in reasonable proportion to the benefit provided. The measurement of a one-stop partner's share of infrastructure costs must be based on reasonable methods*

that are agreed to by all partners or determined in accordance with the SFM. However, as discussed later in this guidance, partner contributions that are initially based on budgeted amounts must be reviewed and reconciled periodically during the program year against actual costs incurred. Additionally, adjustments must be made to ensure that partner contributions are proportionate to their use of the one-stop center and relative benefits received as required by 20 CFR 678.715(a)(4), 34 CFR 361.715(a)(4), and 34 CFR 463.715(a)(4).

3.1 SOURCE OF FUNDS TO PAY INFRASTRUCTURE COSTS

After the AJCs operational budget and the cost sharing methodology are agreed upon, each partner must detail how they will provide their cash, non-cash (in-kind), and/or third party in-kind contributions.

Further defined in TEGL 17-16, contributions for infrastructure and additional costs may be made from cash, non-cash, or third-party in-kind contributions. Non-cash and third-party in-kind contributions must be fairly evaluated in accordance with the Uniform Guidance at 2 CFR 200.306 and must be in the agreed upon one-stop operating budget that must contain an infrastructure cost budget and an additional costs budget. All partner contributions, regardless of the source, must be reconciled and adjusted accordingly on a regular basis (i.e., monthly or quarterly) to ensure each partner program is contributing no more than its proportionate share based upon relative benefits received in accordance with the Uniform Guidance at 2 CFR part 200. To ensure that non-cash and third-party in-kind contributions are fairly evaluated, one-stop partners should agree on which sources or companies they use to assess or appraise the fair market value or fair rental value of non-cash and third-party in-kind contributions.

Cash contributions. Cash contributions are cash funds provided to the Local WDB 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. The value of non-cash contributions must be consistent with 2 CFR 200.306 and reconciled on a regular basis (i.e., monthly or quarterly) to ensure they are fairly evaluated and meet the partners' proportionate share.

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 one-stop operations. The value of third-party in-kind contributions must also be consistent with the Uniform Guidance at 2 CFR 200.306 and reconciled on a regular basis (i.e., monthly or quarterly) to ensure they are fairly evaluated and, if contributed on behalf of a particular program partner, meet the partner's proportionate share.

Non-Core Partners should meet their infrastructure cost obligations in accordance with their program guidance and rules.

Source	Available Funds to Pay Infrastructure Costs
WIOA Title I	Program funds, administrative funds, or both
WIOA Title II	Funds available for local administrative expenses or from non-federal resources that are cash, in-kind, or third party contributions
WIOA Title III	Any available funds
WIOA Title IV	Administrative funds
TANF	Funds used for the provision and administration of employment and training programs
Career and Technical Education (CTE)	Funds available for local administration of postsecondary level programs and activities for eligible participant; Funds made available by the state or non-federal resources that are cash, in-kind, or third-party contributions

3.2 RECONCILIATION OF PARTNER CONTRIBUTIONS

The local board is responsible for ensuring that the infrastructure costs are paid in accordance with the MOU. Since the budget and proportionate share are estimates, it is also the responsibility of the local board to reconcile, on a regular basis (e.g. monthly, but no less frequently than quarterly) the actual costs and their proportionate share to the budget contributions agreed upon by each partner. This process is to ensure that all costs remain consistent with the methodology, are up to date, and in compliance with the MOU and Uniform Guidance.

3.3 ADDITIONAL COSTS

One-stop partners must share in additional costs, which must include applicable career services, and may include shared operating costs and shared services that are necessary for the general operation of the one-stop center.

Career Services. One-stop partners must ensure that at least some career services, described in WIOA sec. 134(c)(2), are provided at the one-stop center. Additional requirements regarding career services may be found at WIOA sec. 121(b)(1)(A)(i), (c)(2)(A)(ii), (e)(1)(A), and (i)(1), 20 CFR 678.760, 34 CFR 361.760, and 34 CFR 463.760. Please also see a detailed discussion about the provision of career services at the one-stop centers in the General Guidance for the American Job Center Network in the Operation of One-Stop Centers, issued jointly by DOL and ED, via DOL's TEGL, ED's Office of Career, Technical, and Adult Education's Program Memorandum, and ED's Rehabilitation Services Administration's Technical Assistance Circular.

Shared Operating Costs and Shared Services. One-stop partners also may share other costs that support the operations of the one-stop centers, as well as the costs of shared services. The costs of shared services may include initial intake, assessment of needs, appraisal of basic skills, identification of appropriate services to meet such needs, referrals to other one-stop partners, and business services (WIOA sec. 121(i)(2), 20 CFR 678.760, 34 CFR 361.760, and 34 CFR 463.760). As discussed in more detail in the section pertaining to personnel costs above, such costs also may include personnel expenses associated with a shared welcome desk or greeter directing employers and customers to the services or staff that are available in that one-stop center.

A portion of the costs of Local WDB staff performing functions that are not otherwise paid with WIOA Title I funds and support the general operations of the one-stop centers may also be included as additional costs. An example of such shared operating costs would be a Local WDB staff person acting as the office manager in a one-stop center. As with any additional costs paid by partner programs for the operations of the one-stop delivery system, these shared operating costs must be proportionate to the use of the partner program and consistent with the Federal Cost Principles of the Uniform Guidance set forth in 2 CFR 200.

3.4 NEGOTIATING INFRASTRUCTURE COST SHARING AGREEMENTS

The IFA contains the infrastructure costs budget, which is an integral component of the overall one-stop operating budget. The other component of the one-stop operating budget consists of additional costs, which include applicable career services, and may include shared operating costs and shared services. While each of these components covers different cost categories, an operating budget would be incomplete if any of these cost categories were omitted, as all components are necessary to maintain a fully functioning and successful local one-stop delivery system. Therefore, the Departments strongly recommend that the Local WDBs, one-stop partners, and CEOs negotiate the IFA, along with additional costs, when developing the operating budget for the local one-stop delivery system. The overall one-stop operating budget must be included in the MOU. IFAs are a mandatory component of the local MOU, described in WIOA sec.121(c) and 20 CFR 678.500 and 678.755, 34 CFR 361.500 and 361.755, and 34 CFR 463.500 and 463.755. Similar to MOUs, the Local WDB may negotiate an umbrella IFA or individual IFAs for one or more of its one-stop centers.

Consistent with 20 CFR 678.755, 34 CFR 361.755, and 34 CFR 463.755, IFAs must include the following elements:

- The period of time in which the IFA is effective (which may be a different time period than the duration of the MOU);
- Identification of the infrastructure costs budget, which is a component of the one-stop operating budget;
- Identification of all one-stop partners, CEO(s), and the Local WDB participating in the IFA;
- A description of the periodic modification and review process to ensure equitable benefit among one-stop partners;
- Information on the steps the Local WDB, CEO(s), and one-stop partners used to reach consensus or the assurance that the local area followed the SFM process; and
- A description of the process to be used among partners to resolve issues related to infrastructure funding during the MOU duration period when consensus cannot be reached.

Note: *As indicated in the table below each above-referenced element is covered in the State's MOU. As such a separate IFA document is not required.*

6 Local Funding Mechanism Requirements	
Time Frame	Memorandum of Understanding Sections 3 and 13
Identified Cost Components	Memorandum of Understanding Section 12
Partners	Memorandum of Understanding Section 1
Process for Renewing/Amending	Memorandum of Understanding Section 13
Steps Used to Reach Agreement	Memorandum of Understanding Section 4
Appeals	Memorandum of Understanding Sections 14 and 15

The following section details the structured process by which AJC partners can negotiate the infrastructure cost sharing agreement:

Process	Description	Timeline
Information Sharing	1. Identify one-stop operating costs, including infrastructure costs and additional costs.	April
Budget Development and Review	2. Develop the one-stop operating budget that includes an infrastructure costs budget and additional costs budget. 3. Develop the cost allocation methodology, including the identification of cost pools and allocation bases. 4. Determine estimated partner contributions.	April – May
Budget Approval	5. Prepare and agree to the IFA(s). 6. Allocate actual costs by each partner's proportionate use and relative benefit received.	May
Follow Up	7. Conduct a periodic reconciliation (i.e., monthly or quarterly). 8. Modify infrastructure costs budget and/or cost allocation methodology, as appropriate. 9. Evaluate the existing process and prepare for the following program year.	June
SFM Application	Failure to reach agreement on AJC infrastructure costs by June 30th will result in application of a state funding mechanism per 20 CFR 678.730.	June

3.5 ALLOCATION OPTIONS

The specific methodologies used to allocate costs among the one-stop partners are not prescribed in WIOA, its implementing regulations, the Uniform Guidance, or in this joint policy guidance. Each local one-stop delivery system is unique and presents a different set of circumstances within which costs are allocated. Rather, when developing the local MOU, Local WDBs and partner agencies may choose from any number of methods, provided they are consistent with WIOA, its implementing regulations, and the Uniform Guidance, including the Federal Cost Principles. In selecting methodologies used to allocate costs, Local WDBs and one-stop partners may also consider whether it is necessary to allocate costs by each one-stop center separately. For instance, the budget for operating an affiliate one-stop center may be less than the operating budget for a comprehensive one-stop center because the affiliate one-stop center includes one or more, but not all, one-stop partner programs.

In this preliminary stage, the partners: (1) determine the infrastructure costs budget and the budget(s) for additional costs, which must include career services and may include shared services and shared operating costs for a particular comprehensive one-stop center; (2) determine which methodologies are reasonable and acceptable; and (3) from the acceptable methodologies, select the methodology (or methodologies) that will be applied to the different cost categories. In other words, the partners are selecting the appropriate distribution base(s) under which they allocate infrastructure and additional costs. Partner programs may agree to select different cost allocation methodologies and allocation or distribution bases for cost objectives within infrastructure costs and additional costs, such as applicable career services, shared operating costs, and shared services 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 this process. Because of the need to provide maximum flexibility to accommodate various organization structures, costs, and budgets in local areas, there is no single method prescribed for allocating costs.

Two Examples of Cost Allocation Bases:

1. The proportionate share of partner's occupancy percentage of Job Center

   The allocation based on proportionate share of partner's occupancy percentage of Job Center determines infrastructure costs based on percent of use of total Job Center square footage per partner. For example, if a specific partner is utilizing 300 sq. ft. out of 1000 total square footage, said partner would be responsible for 30% (300/1000 = 30%) of the total Job Center infrastructure costs. The ideal way to use square footage as the basis for allocation would be to identify the amount of dedicated space for each organization. For example, if a Job Center is 10,000 square feet total, Organization A has 100 square ft. of dedicated space (used only for organization A) out of 2,000 of total dedicated square footage in the Center, the calculation would be that Organization A would pay 5% of the facilities costs (100/2000).

2. The proportion of FTE staffing

   The allocation based on proportionate share of partner's total employees of Job Center determines infrastructure costs based on percent of total Job Center employee FTEs per partner. For example, if a specific partner employs 25 FTEs out of 250 total FTEs at the Job Center, said partner would be responsible for 10% (25/250 = 10%) of the total Job Center infrastructure costs

FTE staffing is defined to include:

1. Required partner or contractor FTE staff onsite at the Job Center.
2. Required partner or contractor FTE staff offsite but who are dedicated and available on demand to meet service access requirements via "direct linkage."

4 State Funding Mechanism

Local board negotiations related to services, methods of delivery, infrastructure and other shared costs must be concluded and a final report must be submitted to TDLWD May 14, 2021 via the following link: workforce.board@tn.gov. Failure to reach an agreement by the end of the remediation period will trigger the State Funding Mechanism.

4.1 State Funding Mechanism

As previously defined the State Funding Mechanism (SFM) is the process used by the State 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 as outlined in 20 CFR 678.730 through 678.738, 34 CFR 361.730 through 361.738, and 34 CFR 463.730 through 463.738.

In accordance with 20 CFR 678.730, if the Local WDB, chief elected official, and AJC partners in a local area do not reach consensus agreement on methods of sufficiently funding AJC infrastructure costs for a program year, the State funding mechanism is applicable to the local area for that program year. The local WDB must notify the Governor by the deadline established here within of May 14, 2021 of any failure to reach a consensus for funding infrastructure costs.

The SFM has eight discrete steps that must be followed by the Governor and Local WDB in accordance with the statute, TEGL 17-16, and 20 CFR 678.730 through 678.750, 34 CFR 361.730 through 361.750, and 34 CFR 463.730 through 463.750. These steps are addressed in detail below.

Step 1: *Notice of failure to reach consensus given to the Governor*. If the Local WDB, local one-stop partners, and CEO(s) cannot reach consensus on methods of sufficiently funding a one-stop center's infrastructure costs and the amounts to be contributed by each local partner program, the Local WDB is required to notify the Governor.

Step 2: *Local negotiation materials provided to the Governor*. In order to assist the Governor in making these calculations and determinations, the Local WDB must provide the appropriate and relevant materials and documents used in the negotiations under the LFM, preferably when notifying the Governor of the failure to reach consensus. At a minimum, the Local WDB must give the Governor: (1) the local WIOA plan; (2) the cost allocation methodology or methodologies proposed by the partners to be used in determining the proportionate share; (3) the proposed amounts or budget to fund infrastructure costs and the amount of partner funds included; (4) the type of funds (cash, non-cash, and third-party in-kind contributions) available; (5) any proposed or agreed upon one-stop center or system budget; and (6) any partially agreed upon, proposed, or draft IFAs. The Local WDBs also may give the Governor additional materials that they or the Governor find to be appropriate.

Step 3: *The Governor determines one-stop center infrastructure budget(s).* The Governor must determine the infrastructure budget(s) by either: (1) accepting a budget previously agreed upon by partner programs in the local negotiations, in accordance with 2 CFR 678.735(b)(1); or (2) creating a budget for the one-stop center using the State WDB formula (described in 2 CFR 678.745) in accordance with 2 CFR 678.735(b)(3).

Step 4: *Governor establishes cost allocation methodology*. The Governor then must establish a cost allocation methodology to determine the one-stop partner programs' proportionate shares of infrastructure costs, in accordance with 2 CFR 678.736.

Step 5: *Partners' proportionate shares are determined*. Using the budget methodology established under Step 3, part 2, and taking into consideration the factors concerning individual partner programs listed in 2 CFR 678.737(b)(2), the Governor must determine each partner's proportionate share of the infrastructure costs.

Step 6: *Governor calculates statewide caps*. Once the Governor has created a cost allocation methodology, the Governor then must calculate the statewide caps to determine the maximum amounts that required partner programs could be required to contribute toward infrastructure funding in that local area. There are no statewide caps for additional partners because the SFM does not apply to them.

Step 7: *Governor assesses the aggregate total of infrastructure contributions as it relates to the statewide cap*. Once the Governor has determined the applicable program cap for each program, as well as the proportionate share of the infrastructure costs that the Governor has determined under Step 5 would be required of each local required one-stop partner in a non-consensus area without regard to the cap, the Governor must ensure that the funds required to be contributed by each partner program in the non-consensus local area(s), in aggregate, do not exceed the applicable program cap.

If the aggregate total contributions are below the applicable program cap, then the Governor must direct the one-stop partners to contribute what was determined to be their proportionate shares. If the aggregate total contributions exceed the cap, then the Governor may either:

A. Inquire as to whether those local partner programs that have pushed the aggregate total contributions above the applicable program cap (i.e., those whose contributions would have otherwise exceeded the Statewide cap on contributions) are willing to contribute beyond the applicable program cap in accordance with their proportionate share; or

B. Allow the Local WDB, one-stop partners, and CEO(s) to:

  - Re-enter negotiations to reassess each one-stop partner's proportionate share and make adjustments and identify alternate sources of funding to make up the difference between the capped amount and the proportionate share of infrastructure funding of the one-stop partner; and

- Reduce infrastructure costs to reflect the amount of funds available without exceeding the applicable program cap level.

Step 8: *Governor adjusts proportionate shares*. The Governor must make adjustments to specific local partners' proportionate share in accordance with the amounts available under the applicable program cap for the associated program, if the Local WDB, CEO(s), and the required one-stop partners fail to reach agreement on how to address the situation in which the proportionate share exceeds the cap using the approaches described in Step 7. The aggregate total contribution of a program's local one-stop partners under the SFM may not exceed the applicable program cap.

4.2 Statewide Caps on Proportionate Share (Only if Governor needs to determine local share)

Limiting Percentages for Programmatic Statewide Caps on Infrastructure Funding Under the State Funding Mechanism:

Program Type	Limiting Percentage
WIOA title I programs (youth, adult, or dislocated worker)	3%
Wagner-Peyser Act ES	3%
AEFLA	1.5%
Perkins IV	1.5% of funds made available for postsecondary level programs and activities and funds used to administer postsecondary level programs and activities in the prior year
VR	
PY 2017	0.75% of Fiscal Year 2016 Federal VR funding
PY 2018	1% of Fiscal Year 2017 Federal VR funding
PY 2019	1.25% of Fiscal Year 2018 Federal VR funding
PY 2020 and subsequent years	1.5% of Fiscal Year 2019 (or applicable previous year) Federal VR funding
TANF	1.5% of funds from the previous year spent on work, education, and training activities, plus any associated administrative costs
CSBG	1.5% of funds from the previous year spent by local CSBG-eligible entities to provide employment and training activities, plus any associated administrative costs
Other required partners including Job Corps; YouthBuild; Native American programs; MSFW (NFJP) programs; SCSEP; TAA; UC; HUD employment and training programs; and programs authorized under sec. 212 of the Second Chance Act of 2007	1.5%
Additional (non-required) partners	SFM does not apply

4.3 REPORTING OF NEGOTIATION OUTCOMES

Local boards must provide a final agreed upon budget and signed MOUs including all cost sharing agreements by May 14, 2021 submitted to the State Workforce Board by email workforce.board@tn.gov .

4.4 RECOMMENDED APPEALS PROCESS FOR INFRASTRUCTURE COSTS (GOVERNOR'S DETERMINATION)

The appeals process relating to determinations for infrastructure funding are as follows:

1. The Governor, through assistance of the State Workforce Development Board, will make the final determination of each required partner's proportionate share of statewide infrastructure costs under the State funding mechanism.
2. Any required partner may appeal the Governor's determination on the basis of a claim that:
    a. The Governor's determination is inconsistent with the proportionate share requirements of 20 CFR 678.735(a) or;
    b. The Governor's determination is inconsistent with the cost contribution caps described in 20 CFR 678.735(c) and 678.738.
3. The process will ensure resolution of the appeal in order to ensure the funds are distributed in a timely manner, consistent with the requirements of 20 CFR 683.630.
4. An appeal must be made within 21 days of the Governor's determination and must be submitted formally, in writing, by registered mail no later than the 21st day from the date of receipt of the notice of denial or revocation.

4.5 Reference Material: 20 CFR Guidance

Joint Rule References for One-Stop Infrastructure Costs	
Sub-Part	**Area of Reference**
678.700	What are the one-stop infrastructure costs?
678.705	What guidance must the Governor issue regarding one-stop infrastructure funding?
678.710	How are infrastructure costs funded?
678.715	How are one-stop infrastructure costs funded in the local funding mechanism?
678.720	What funds are used to pay for infrastructure costs in the local one-stop infrastructure funding mechanism?
678.725	What happens if consensus on infrastructure funding is not reached at the local level between the Local Workforce Development Board, chief elected officials, and one-stop
678.730	What is the State one-stop infrastructure funding mechanism?
678.731	What are the steps to determine the amount to be paid under the State one-stop infrastructure funding mechanism?
678.735	How are infrastructure cost budgets for the one-stop centers in a local area determined in the State one-stop infrastructure funding mechanism?
678.736	How does the Governor establish a cost allocation methodology used to determine the one-stop partner programs' proportionate shares of infrastructure costs under the State one-stop infrastructure funding mechanism?
678.737	How are one-stop partner programs' proportionate shares of infrastructure costs determined under the State one-stop infrastructure funding mechanism?
678.738	How are statewide caps on the contributions for one-stop infrastructure funding determined in the State one-stop infrastructure funding mechanism?
678.740	What funds are used to pay for infrastructure costs in the State one-stop infrastructure funding mechanism?
678.745	What factors does the State Workforce Development Board use to develop the formula described in Workforce Innovation and Opportunity Act, which is used by the Governor to determine the appropriate one-stop infrastructure budget for each local area operating under the State infrastructure funding mechanism, if no reasonably implementable locally negotiated budget exists?
678.750	When and how can a one-stop partner appeal a one-stop infrastructure amount designated by the State under the State infrastructure funding mechanism?
678.755	What are the required elements regarding infrastructure funding that must be included in the one-stop Memorandum of Understanding?
678.760	How do one-stop partners jointly fund other shared costs under the Memorandum of Understanding?

Note: The above reference is specific to Title I, similar references for Vocational Rehabilitation and Adult Education are found in 34 CFR 361 and 34 CFR 463, respectively.

5 ATTACHMENTS

5.1 Step 6: Sample Governor's Calculation (TEGL 17-16)

Sub-Step 1:	The Governor must apply a partner's individual applicable limiting percentage (the statutory percentages listed in WIOA sec. 121(h)(2)(d))—which is dependent on the type of program (see chart below)—to the total Federal funding which that program receives for the affected program year to reach the maximum potential cap (MPC). The applicable limiting percentage for a program is listed below and in WIOA sec. 121(h)(2)(d), 20 CFR 678.738(c), 34 CFR 361.738(c), and 34 CFR 463.738(c). Some programs will use previous years' funding to determine the cap due to internal program funding allocation or reallotment methods.
Sub-Step 2:	The Governor must select a determining factor or factors that reasonably indicate the use of one-stop centers in the State. This could be, for example, total population, concentration of wealth, or another factor that is applicable to the State's workforce dynamic.
Sub-Step 3:	The Governor applies the determining factor(s) to *all* local areas across the State, and then determines the percentage of the factor(s) that is applicable to those areas that reached consensus, or the consensus areas' factor percentage.
Sub-Step 4:	The Governor then applies the consensus areas' factor percentage to the MPC to find the consensus areas' portion of the MPC.
Sub-Step 5:	The Governor subtracts the amount equal to the consensus local areas' portion of the MPC from the MPC. The remaining amount is the applicable program cap for use in the local areas that have not reached consensus and are subject to the SFM.

Step 6: Governor's Calculation (Continued)

Step 6 contains five sub-steps of which sub-steps 1, 4, and 5 contain the following formulas:

Sub-Step 1
Limiting percentage *x* total Federal program funding = MPC

Sub-Step 4
Consensus areas' factor percentage *x* MPC = consensus areas' portion of the MPC

Sub-Step 5
MPC – consensus areas' portion of the MPC = applicable program cap for non-consensus area(s)

Cap calculation examples:

- **Example 1:** In PY 2017, there are seven local areas within a State, two of which have not reached consensus on infrastructure funding. *Program A*—which is a WIOA title I program—receives $30 million in total Federal funding for PY

2017. Applying the appropriate **limiting percentage** of three percent to the program's **total Federal funding** results in a **MPC** of $900,000 for PY 2017.

$$.03 \ x \ 30{,}000{,}000 = 900{,}000$$

The Governor selects total population as the **determining factor** and finds that 70 percent of the State's population resides in local areas that have reached consensus, which is the **consensus areas' factor percentage**. The Governor then applies the **consensus areas' factor percentage** (70 percent) to the **MPC** ($900,000), resulting in the **consensus areas' portion of the MPC** being $630,000.

$$.7 \ x \ \$900{,}000 = \$630{,}000$$

Finally, the Governor subtracts the **consensus areas' portion of the MPC** ($630,000) from the **MPC** ($900,000), giving an **applicable program cap** of $270,000 for the non-consensus area(s). This portion of the cap does not have to be divided evenly between local areas, but rather in a manner determined by the Governor.

$$\$900{,}000 - \$630{,}000 = \$270{,}000$$

- **Example 2:** In addition to *Program A* listed above, *Program B*—a VR program—received a Federal VR allotment of $10 million for the State in FY 2016. Applying the appropriate PY 2017 **limiting percentage** of 0.75% to the **State's Federal FY 2016 VR allotment** results in a **MPC** of $75,000 for PY 2017.

$$.0075 \ x \ \$10{,}000{,}000 = \$75{,}000$$

The Governor selects total population as the **determining factor**, and finds that 70 percent of the State's population resides in local areas that have reached consensus, which is the **consensus areas' factor percentage**. The Governor then applies the **consensus areas' factor percentage** (70 percent) to the **MPC** ($75,000), resulting in the **consensus areas' portion of the MPC** being $52,500.

$$.7 \ x \ \$75{,}000 = \$52{,}500$$

Finally, the Governor subtracts the **consensus areas' portion of the MPC** ($52,500) from the **MPC** ($75,000), giving an **applicable program cap** of $22,500 for the non-consensus area(s).

$$\$75{,}000 - \$52{,}500 = \$22{,}500$$

5.2 Examples of Cost Pools and Allocation Bases (TEGL 17-16)

Attachment I: Examples of Cost Pools and Possible Allocation Bases

Cost Pool	Possible Allocation Bases
Facilities: Building rent, maintenance costs, utilities, tenant improvements, or any other similar costs related to the physical structure housing the one-stop center.	Square footage occupied by each partner agency as compared to the total space. Workstation usage by partners as compared to total workstations.
Telecommunications: Monthly telephone costs, telephone system equipment, data lines, T-1 lines, and other similar costs.	Dedicated telephone units as compared to all units.
Information Technology: Shared equipment, software, IT maintenance costs, Internet access, and other similar costs.	Number of dedicated computers (including all necessary equipment) as compared to total.
Resource Center: Costs of shared equipment, displays, computer learning, specialized software for computer learning, furniture, copier, fax machine; may also include related staff costs.	Number of program participants or reportable individuals utilizing the resource center.
Common Intake System: Costs of developing common intake data formats, preparation and interview of customers, and similar costs.	Use of common data formats and data elements required for each program. Use of number of customer or participant records maintained by each partner program.
One-Stop Center Management Staff: Costs of the center director.	Number of partner program staff FTEs. Square footage of partner program benefit or number of program participants and reportable individuals served.
One-Stop Center General Operations Staff: Costs of the receptionist, staff of the resource center.	Number of partner program participants.
Shared Equipment and Supplies: Staff copier, fax, associated supplies, and furniture.	Usage by staff of each partner program. Occupancy (square footage) basis; numbers of staff workstations.
Career Services: Staff and benefit costs, development of common forms for case management, and similar costs.	Time distribution system (time sheets, work sampling, time and motion studies); numbers of clients eligible for specific program; weighted participation numbers.