WORKFORCE INNOVATION AND OPPORTUNITY ACT

VIRGINIA WORKFORCE LETTER (VWL) No. 16-07

TO: Local Workforce Development Boards

FROM: Nicole Overley
Commissioner, Virginia Works
Nicole Overley

SUBJECT: Program Income

EFFECTIVE DATE: 2/15/2025

PURPOSE:
To provide guidance on reporting program income and meeting cash expenditure requirements under the Workforce Innovation and Opportunity Act (WIOA).

REFERENCES:
WIOA Sections 184(a)(3),184(a)(S), 194(7)(8) and 194(13)(A-C), 2 CFR Part 200.307-Program Income

REVISIONS:
VWL #05-06, Program Income

DEFINITIONS:
Program Income - Earning realized from grant-supported activities. Such earnings include interest income and may include, but will not be limited to, income from service and conference fees, commodity sales and rental fees. Program income will also include earnings that are in excess of costs and realized by public agencies or private non-profit organizations from contracts that are reimbursable awards. Program income does not increase the amount of funds authorized but is considered additional revenue for use in support of allowable WIOA activities. Except as otherwise provided in federal awarding agency regulations or the terms and conditions of the award, program income does not include the receipt of rebates, credits, discounts, etc., or interest earned on any of them.

Subrecipient - a non-Federal entity that receives a sub-award from a pass-through entity to carry out a federal program and for which they are accountable for the funds

BACKGROUND:
N/A

GUIDANCE:
All recipients of funding under the Workforce Innovation and Opportunity Act (WIOA) must comply with the program income requirements as provided by the U.S. Department of Labor (DOL) and the Virginia Works as the administering entity for WIOA in Virginia. The following guidance provides program income requirements for the Local Workforce Development Boards, State Subrecipients and general program income instructions.

A. Program Income Requirements for Local Workforce Development Boards (LWDBs)
    a. LWDBs generating income under a grant agreement may retain the income earned only if such income is used to support allowable activities under WIOA.
    b. Program income must be used before requesting cash.
    c. Program income must be used prior to the submission of the final report for the funding period of the program year to which the earnings are attributable.
    d. Program income must be returned to Virginia Works if the income cannot be used by the LWDB.
    e. Program income generated from WIOA equipment, or other WIOA assets, after the funding period of the funds that paid for the equipment, is reported on an open year and must be spent prior to the end of the availability of those funds.
    f. LWDBs must report program income expended after the grant period if the income was earned during the grant period and must be reflected on the grant closeout reporting form.
    g. LWDBs must track program income and expenditures on a first-in first-out basis. Therefore, the first dollar of program income spent by LWDBs must be counted against the first dollar of program income that the LWDB earned.
    h. Program income not used in accordance with the requirements of this section or returned will be recaptured by Virginia Works.
    i. Fee for Service: On a fee for service basis, employers may use the LWDA's WIOA funded services, facilities or equipment to provide employment and training activities to incumbent workers if the following criteria is met:

i. The services, facilities, or equipment are not being used by eligible participants
ii. Their use does not affect the ability of eligible participants to use the services, facilities, or equipment.
iii. The income generated from such fees is used to carry out programs authorized under WIOA.

B. Program Income Requirements for State Subrecipients
   a. Subrecipients generating income under a grant agreement may retain the income earned only if such income is used to support allowable activities under WIOA.
   b. Receipt and disbursement of program income must be reported on any fiscal reporting forms.
   c. Program income must be traceable through the entity's financial system.

C. General Program Income Instructions
   a. Program income cannot be used to cover disallowed costs.
   b. Any equipment purchased with program income is subject to the requirements set forth in any of the policies covering equipment management.
   c. Accounting for Program Income:

Subrecipients must account for program income using the "Addition Method". The Addition Method means that program income is added to the WIOA award and is used to provide the same services as provided under the original subaward agreement. The program income available to the subrecipient for program activities is not formally modified into the subaward amount.

Furthermore, subrecipients can calculate earned program income using either the *net income* or *gross income* method. Under the net income method, the cost of generating the program income is deducted from gross program income receipts. The revenues and expenditures are tracked separately in accounting records, netted, and then recorded in the appropriate program income account. Under the gross income method, all gross revenues derived from program income activities are accounted for as program income, and the costs associated with generating the revenue are charged to the subaward. In the accounting records, the entire amount of gross revenues and corresponding expenditures are recorded in the program income account for the funding period.

Once the amount of program income has been determined, subrecipients may account for the expenditure of program income using either the *separate accounting* or *transfer of* *expenditures* method. Under the separate accounting method, program income is treated as additional funds committed to the subaward for which separately identifiable services are performed, and the expenditure program income is accounted for separately from the original subaward agreement. For accounting purposes, the program income is treated as if it were a separate subaward. Under the transfer of expenditures method, subrecipients initially record the expenditures in the accounts of the original subaward agreement and subsequently transfer the expenditures to the program income account in order to offset the amount of program income earned. The result is the program income is accounted for as fully expended while expenditures charged under the subaward are reduced by the amount of expenditures that have now been applied to program income.

ACTION REQUIRED:

INQUIRIES:
Please submit inquiries regarding this VWL to:
Virginia Works
WIOA Title I Administrator
2221 Edward Holland Drive,
Suite 500
Richmond, VA 23230
LWDBinquiries@virginiaworks.gov