



April 13, 2009

**Workforce Investment Act Policy Letter No. 08-10.2**

To: WIA Local Workforce Investment Boards (WIBs), Fiscal Agents,  
Administrative Entities, and One-Stop Operators

From: Douglas E. Lumpkin, Director

Subject: Waiver Authority: Use of Local WIA Funds for Capitalization of  
Business - Entrepreneurial Talent Development

**I. Purpose**

To provide guidance on using WIA funds for capitalization of small businesses started by adult and dislocated worker program participants who complete enterprise or entrepreneurial training.

**II. Effective Date**

Immediately

**III. Background**

WIA Section 181(e) and 20 CFR 667.262 prohibit the use of WIA funds for capitalization of businesses and similar activities that are not directly related to training for eligible individuals. In May 2007, ODJFS submitted to the U.S. Department of Labor (USDOL) a set of waiver requests aimed at improving the workforce development services in Ohio. On November 5, 2007, USDOL approved these waiver requests that expire June 30, 2009. One of the waivers received removes the limitation on using WIA funds for capitalization of small businesses.

While WIA **already** permits the use of local WIA adult, dislocated worker and youth funds for entrepreneurial training, this waiver authority also allows local formula funds to be used for the capitalization of small businesses started by WIA enrolled adults and dislocated workers. This policy letter sets the parameters that must be followed if a local area chooses to implement this waiver.

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#### **IV. Guidance Statement**

The use of this waiver authority is intended to demonstrate how the workforce development system can implement Entrepreneurial Talent Development, such as capitalization of small businesses, into its program offerings. Furthermore, it is expected that the waiver will help in identifying ways to support Entrepreneurial Talent Development, as well as the challenges and best practices of promoting entrepreneurship as a career option.

This initiative will assist eligible participants with entrepreneurial training, technical support, and access to resources in order to start a new business.

##### **A. Eligibility**

Small business capitalization funds may be provided only to individuals who are eligible and enrolled under WIA adult or dislocated worker programs. All eligibility criteria for these programs, as described in WIATL No. 27, must be met and documented for individuals who receive capitalization funds under this waiver authority. In addition, capitalization funds will not be provided to individuals who have a finding for recovery listed with the Auditor of State.

Individuals seeking capitalization funds must demonstrate the need for training and technical advisory services for starting and operating a small business. Applicants must successfully complete entrepreneurial or microenterprise training before capitalization funds are awarded. WIA eligible adults and dislocated workers who have previously completed microenterprise training within the past 12 months are also eligible to apply for this program. Their business plan must be updated, reviewed and then approved by Ohio Department of Development's Small Business Development Center (SBDC) or Minority Business Enterprise Development Center (MBEDC).

##### **B. Considerations**

Local areas that implement this waiver are encouraged to work with Ohio's Small Business Development Centers, which offer entrepreneurial training on a low to no cost basis. When possible, partnerships with local educational agencies are strongly encouraged. Local area implementation should include at a minimum, a partnership/collaboration between the WIB and the SBDC and/or Business Incubator Centers. Local areas may also use training providers that are registered on the State's Eligible Training Provider Online (ETPO) system for the entrepreneurial or microenterprise training. Local areas are encouraged to expand the use of their local WIA Adult, Dislocated Worker funds to provide entrepreneurial workshops and training through the ETPO system and Ohio's SBDCs and MBEDCs.

In addition, upon completion of training, small business capitalization funds may be provided only to individuals with completed business plans that have been reviewed and approved by the Ohio Department of Development's SBDCs or MBEDCs and have been approved by the WIBs and/or designee. Furthermore, individuals receiving these funds must agree to participate in the SBDCs or MBEDCs free technical advisory services.

Local WIBs are responsible for monitoring the utilization of local WIA funds and for ensuring compliance with local, state, and federal policies and procedures.

If local areas are considering activities that are not specifically addressed in this policy letter, consult with the state's policy staff for further clarification.

### **C. Documentation and Application**

Local areas are required to obtain and document the receipt of legitimate estimates for expenses prior to disbursing funds. Receipts for goods/services must be provided to ensure that actual costs of the goods/services are not less than the estimates.

The participant file must contain all necessary documentation of eligibility as outlined in WIATL No. 27 and USDOL's data validation requirements. A record of successful completion of the approved entrepreneurial or microenterprise training must also be contained in the participant file. Individual participant applications must include a complete business plan reviewed and approved by one of Ohio Department of Development's SBDCs. And, participant applications must be reviewed and approved by the WIB and/or the WIB's designee.

Participant files should also contain the following documentation:

- The participant's suitability for entrepreneurial training
- Description of items for which capitalization funds were used
- Approval of the funding

Local areas implementing this waiver are required to provide:

- Number of participants enrolled in microenterprise training
- Number of participants who have applied for capitalization funds
- Number of approved participants
- Quarterly status report of the businesses of all participants who utilize capitalization funds

## **D. Performance Outcomes**

All participants shall be included in the common performance measures. In addition, specific measurable performance outcomes shall include at a minimum:

- Number of new jobs created
- Number of businesses started
- Number and percentage of participants completing microenterprise training
- Number and percentage of participants submitting applications for Small Business Capitalization funds
- Number and percentage of participants utilizing Small Business Capitalization funds
- Number and percent of businesses still in operation

If self-employment and self-employed earnings are reported in the "Supplemental Source" of Data in the first quarter after exit, the individual will be a positive outcome for the Adult and/or Dislocated Worker "Entered Employment" measures. Likewise, if self-employment and self-employed earnings are reported in the "Supplemental Source" of Data in the second and third quarter after exit, this will count as a positive outcome for the Adult and/or Dislocated Worker "Retention" measures. WIBs can select and complete the supplemental earnings section.

As a point of clarification related to "Average Earnings" measures, if an individual is self-employed, or not working at a job that pays taxes into the Unemployment Insurance (UI) in Ohio or other states, the self-employed earnings wages reported will be considered "supplemental." This will exclude the participant from the total performance count for the local area for the Adult and/or Dislocated Worker "Average Earnings" measures. WIBs can select and complete the supplemental earnings section. Be advised, if the participant does have another source of income that is included in UI or other states, then the participant will be included in the Average Earnings measures.

## **E. Use of Funds**

Capitalization funds may be used for costs associated with the establishment of a new business. Eligible small businesses that have been approved by the local WIB may receive up to \$5,000.00 under this waiver authority. Only small businesses with 25 employees or less will be considered for funding.

Local areas must track funds dispersed for business capitalization, as well as the ability to recapture funds that were not used by eligible business in instances where the final receipt is less than the original estimate.

These funds shall not be used to fund an Employee Stock Option Purchase (ESOP).

Participants are to be enrolled as either WIA Adult or Dislocated Worker participants; as such training should be funded through either program funds or other appropriate funding (i.e., Career Advancement Accounts (CAA) for Dislocated Workers).

The following are examples of purchases that may be funded:

- Purchase of equipment\*
- Website development
- Fees and tuition payments for licensure or certification of employees when required by law or local ordinance
- Unfinished or raw materials for production of finished goods

\*Equipment and computers can be purchased for the purpose of training the small business owner or employees. Equipment and computers can also be purchased for the purpose of creating new employment opportunities for workers.

Disallowed costs can include but are not limited to the following expenses:

- Weapons
- Alcohol
- Entertainment
- Foreign travel
- Purchase or rental of fixtures (i.e. counters, showcases, shelves)
- Purchase of office supplies
- Advertising and marketing materials
- Real estate/office space
- Product development and initial inventory
- Licenses and permits associated with starting a small business (i.e. vendor license)
- Lease payments (facility or equipment)
- Insurance payments
- Legal fees directly related to the formation of the business entity
- Business consultant fees

Principles for determining allowable costs can be found in OMB Circular A-87.

The use of funds for capitalization of business must meet all applicable fiscal and administrative requirements listed in 20 CFR 667.200. A participant whose business benefits from these funds must not gain competitive advantage as a result of WIA capitalization funds.

## V. Technical Assistance

For additional information, you may send your questions to the Office of Workforce Development: [WIAQNA@JFS.OHIO.GOV](mailto:WIAQNA@JFS.OHIO.GOV). In the subject line, indicate "**Capitalization- Entrepreneurship.**"

## VI. References

20 CFR 667.200 and 667.262

Workforce Investment Act of 1998, Pub. L. No. 105-220, Section 181(e)

DOL waiver approval letter, November 5, 2007

WIATL 27, [Source Documentation for WIA Eligibility](#)

DOL Data Validation Requirements

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments

48 CFR Chapter 1, Part 31