

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WIA/Wagner-Peyser/WOTC
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TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 22-06

TO: ALL STATE WORKFORCE AGENCIES
 ALL STATE WORKFORCE LIAISONS

FROM: EMILY STOVER DeROCCO /s/
 Assistant Secretary

SUBJECT: Workforce Investment Act (WIA) Adult, Dislocated Worker and Youth Activities Program Allotments for Program Year (PY) 2007; Additional PY 2007 Funding from WIA Section 173(e) for Adult/Dislocated Worker Activities for Eligible States; Final Wagner-Peyser Act Allotments for PY 2007; and Consolidated Work Opportunity Tax Credit (WOTC) Fiscal Year (FY) 2007

1. **Purpose.** To provide states and outlying areas with WIA Title I Adult, Dislocated Worker and Youth Activities program allotments for Program Year (PY) 2007; final allotments for PY 2007 Employment Service (ES) activities, as required by Section 6(b)(5) of the Wagner-Peyser Act, as amended; and the Consolidated Work Opportunity Tax Credit (WOTC) FY 2007.
2. **References.** Workforce Investment Act of 1998, (29 U.S.C. 2801 et seq.), P.L. 105-220, as amended; Wagner-Peyser Act, as amended (29 U.S.C. 49 et seq.); Training and Employment Guidance Letter (TEGL) 13-06, "Instructions for Workforce Investment Act and Wagner-Peyser Act State Planning and Waiver Requests for Years Three and Four of the Strategic Five-Year State Plan (Program Years 2007 and 2008)"; TEGL 14-05, "Work Opportunity Tax Credit Program Guidance for Period of Authorization Lapse"; TEGL 10-06, "Designation of Areas of Substantial Unemployment (ASUs) under the Workforce Investment Act (WIA) for Program Year (PY) 2007. "

Rescissions: None	Expiration Date: Continuing
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3. **Background.** The funds for the allotments announced in this TEGL are part of the funds appropriated in FY 2007 Continuing Appropriations Resolution, P.L. 110-5, signed into law February 15, 2007.

The WIA allotments for states are based on formula provisions defined in the Act (see Attachment I for WIA and Wagner-Peyser formula descriptions). The WIA allotments for the outlying areas (e.g., American Samoa, Guam, Northern Marianas, Palau, and the Virgin Islands) are based on a discretionary formula as authorized under WIA Title I. The Marshall Islands and Micronesia no longer receive WIA Title I funding, pursuant to P.L. 108-188, Compact of Free Association Amendments of 2003, (December 17, 2003); instead, these areas now receive funding from the Department of Education appropriation. The Compact also provides that Palau will continue to receive funding through September 2007 under WIA Title I funding provisions.

All allotments and descriptions of the allotment formulas were published in the Federal Register on April 6, 2007. Comments from the public on the formula used to distribute outlying areas funds only are due May 7, 2007.

4. **State Youth Activities Funds: Title I--Chapter 4--Youth Activities**

- A. State Allotments. The appropriated level for PY 2007 for WIA Youth Activities totals \$940,500,000, which includes \$14,107,500 for Native Americans, \$924,041,250 for states, and \$2,351,250 for outlying areas. Attachment II contains a breakdown of the WIA Youth Activities program allotments by state for PY 2007 and provides a comparison of these allotments to PY 2006.

The three data factors required by WIA for the PY 2007 Youth Activities state formula allotments are:

- (1) The number of unemployed for Areas of Substantial Unemployment (ASUs), averages for the 12-month period, July 2005 through June 2006, as prepared by the states under ETA guidance in TEGL 10-06 using special 2000 Census data based on households, obtained under contract with the Census Bureau and provided to states by the Bureau of Labor Statistics (BLS);
- (2) The number of excess unemployed individuals or the ASU excess (depending on which is higher), averages for the same 12-month period as used for ASU unemployed data; and
- (3) The number of economically disadvantaged youth (age 16 to 21, excluding college students and military), special 2000 Census tabulation.

Since the total amount available for states in PY 2007 is below the required \$1 billion threshold specified in WIA Section 127(b)(1)(C)(iv)(IV), similar to PY 2006, the WIA additional minimum provisions are not applicable. Instead, as required

by WIA, the JTPA section 262(a)(3) (as amended by section 701 of the Job Training Reform Amendments of 1992) minimums of 90 percent hold-harmless of the prior year allotment percentage and 0.25 percent state minimum floor are applicable.

- B. PY 2007 Funding Agreement/Notice of Obligations (NOOs). States operating under an approved WIA state plan through June 30, 2007, will have the authority to spend a portion of the PY 2007 Youth Activities program funds beginning on April 1, 2007, under the authority of WIA Section 189(g)(1)(B). This authority will be provided through the WIA Annual Funding Agreement. States will be issued PY 2007 funds equivalent to one-fourth of their PY 2006 Youth Activities allotment on April 1, 2007. Once PY 2007 state plans are approved, states will be issued the balance of their PY 2007 Youth Activities allotments by July 1, 2007, along with the PY 2007 portion of the formula allotments for the Adult and Dislocated Worker programs.
 - C. Within-State Allocations. Youth Activities funds are to be distributed among local workforce investment areas (subject to reservation of up to 15 percent for statewide workforce investment activities) in accordance with the provisions of WIA Section 128 and according to the approved state plan. For purposes of identifying ASUs for the within-state Youth Activities allocation formula, states should replace the 1990 Census data used for census sharing for PY 2006 with the special 2000 Census data based on households which was obtained under contract with the Census Bureau and provided to states in October of last year by BLS. These data will continue to be used for this purpose until further notice. For purposes of developing the number of economically disadvantaged Youth Activities for the statutory formula, the special 2000 census data provided to states for the within-state Youth Activities allocations beginning in PY 2004 should continue to be used.
 - D. Transfers of Funds. There is no authority for local workforce investment areas to transfer funds to or from the Youth Activities program.
 - E. Reallotment of Funds. Reallotment of Youth Activities program formula funds, as provided for by WIA Section 127(c), will be based on completed program year financial reports submitted by the states. Reallotment of funds among states under WIA will occur during PY 2007 based on state obligations made during PY 2006 (20 CFR §667.150). There was no recapture/reallotment of WIA Youth Activities program funds in PY 2006.
5. **State Adult Employment and Training Activities Funds: Title I--Chapter 5--Adult and Dislocated Worker Employment and Training Activities**
- A. State Allotments. The total appropriated funds for PY 2007 for Adult Activities are \$864,199,000 of which \$862,038,502 is for states and \$2,160,498 is for outlying

areas. Attachment III-A shows the PY 2007 Adult Activities allotments and a comparison to PY 2006 allotments by state.

The three formula data factors for the Adult Activities program are the same as those used for the Youth Activities formula, except that data for the number of economically disadvantaged adults (age 22 to 72, excluding college students and military) are used. Since the total amount available for the Adult Activities program for states in PY 2007 is below the required \$960 million threshold specified in WIA Section 132(b)(1)(B)(iv)(IV), similar to PY 2006, the WIA additional minimum provisions are not applicable.

- B. NOOs. For PY 2007, Congress appropriated funds for this program in two portions: \$152,199,000 available for obligation on July 1, 2007 (PY 2007), and \$712,000,000 available for obligation on October 1, 2007 (FY 2008). Allotments to states are prorated based on these total amounts and two NOOs will be issued: one for July 1, 2007, under the PY 2007 WIA grant agreement, and the other for October 1, 2007, (also under the PY 2007 WIA grant agreement) (see Attachment III-B).
- C. Within-State Allocations. Adult Activities funds for PY 2007 allotments are to be distributed among local workforce investment areas (subject to reservation of up to 15 percent for statewide workforce investment activities) in accordance with the provisions in WIA Section 133 and according to the approved state plan.
- Similar to the Youth Activities program, for purposes of identifying ASUs for the within-state Adult Activities allocation formula, the special 2000 Census data provided to states by BLS in October of last year is to be used for census sharing for PY 2007 and future years instead of the 1990 Census data used in previous years. For purposes of developing the number of economically disadvantaged adults for the statutory formula, the special 2000 Census data provided to states for the within-state Adult Activities allocations beginning in PY 2004 should continue to be used.
- D. Transfers of Funds. WIA Section 133(b)(4) provides the authority for local workforce investment areas, with approval of the Governor, to transfer up to 20 percent of the Adult Activities funds to Dislocated Worker Activities, and up to 20 percent of Dislocated Worker Activities funds to Adult Activities. The FY 2007 Continuing Appropriations Resolution enacted by Congress, for the appropriated PY 2007 funds, continued the 2006 appropriation Congressional authorization raising the transfer limits to 30 percent, which is applicable for the life of the funds.
- E. Reallotment of Funds. Reallotment of Adult Activities program formula funds, as provided for by WIA Section 132(c), will be based on completed program year financial reports submitted by the states. Reallotment of funds among states under WIA will occur during PY 2007 based on state obligations of PY 2006

funds made during PY 2006 (20 CFR §667.150). There was no recapture/reallotment of WIA Adult Activities program funds in PY 2006.

6. State Dislocated Worker Employment and Training Funds: Title I--Chapter 5--Adult and Dislocated Worker Employment and Training Activities

Appropriated funds for PY 2007 for the Dislocated Worker Activities program total \$1,471,903,000, with \$1,189,811,000 for states, \$3,679,758 for outlying areas, and \$278,412,242 for the National Reserve.

- A. State Allotments. Attachment IV-A shows the PY 2007 Dislocated Worker Activities fund allotments by state and a comparison to PY 2006.

The three data factors required in WIA for the PY 2007 dislocated worker state formula allotments are:

- (1) The number of unemployed, averaged for the 12-month period, October 2005 through September 2006;
- (2) The number of excess unemployed, averaged for the 12-month period, October 2005 through September 2006; and
- (3) The number of long-term unemployed, averaged for calendar year 2005.

- B. NOOs. For PY 2007, Congress appropriated funds for this program in two portions: \$341,811,000 available for obligation on July 1, 2007 (PY 2007), and \$848,000,000 available for obligation on October 1, 2007 (FY 2008). Allotments to states are prorated based on these total amounts and two NOOs will be issued: one for July 1, 2007, under the PY 2007 WIA grant agreement, and the other for October 1, 2007, (also under the PY 2007 WIA grant agreement) (see Attachment IV-B).

- C. Within-State Allocations. Dislocated Worker Activities funds for PY 2007 allotments are to be distributed among local workforce investment areas (subject to reservation of up to 25 percent for statewide rapid response and up to 15 percent for statewide workforce investment activities) in accordance with the provisions in WIA Section 133 and according to the approved state plan.

- D. Transfers of Funds. WIA Section 133(b)(4) provides the authority for workforce investment areas, with approval of the Governor, to transfer up to 20 percent of the Adult Activities funds to Dislocated Worker Activities, and up to 20 percent of Dislocated Worker Activities funds to Adult Activities. The FY 2007 Continuing Appropriations Resolution enacted by Congress, for the appropriated 2007 funds, continued the 2006 Congressional authorization raising the transfer limits to 30 percent, which is applicable for the life of the funds.

E. Reallotment of Funds. Reallotment of Dislocated Worker program formula funds, as provided for by WIA Section 132(c), will be based on completed program year financial reports submitted by the states. Reallotment of funds among states under WIA will occur during PY 2007 based on state obligations made during PY 2006 (20 CFR §667.150). There were no states subject to recapture of WIA Dislocated Worker program funds in PY 2006 and thus no reallotment distribution.

7. Additional PY 2007 Funding from the Dislocated Worker National Emergency Reserve for WIA Adult/Dislocated Worker Activities for Eligible States

A. Background. Section 173(e) of WIA provides that up to \$15 million from the Dislocated Worker national reserve is to be made available to not more than eight states with the largest ratio of Adult Activities program funds (JTPA formula amount to WIA formula amount), in amounts equal to the difference between the allotment that a state would receive for Adult Activities under the WIA formula and the state's allotment as calculated under JTPA Title II-A. Five states are eligible for these additional PY 2007 funds for a total of \$5,438,783. These additional funds are to be used for Adult or Dislocated Worker Activities, as required by Section 173(e). See paragraph 11 below for reporting requirements for these funds.

B. NOOs. NOOs to the eligible states for the additional Section 173(e) 2007 funding amounts will be issued on July 1, 2007, under separate PY 2007 WIA grant agreements (see Attachment V).

C. Within-State Allocations. In accordance with the requirements of Section 173(e), these additional funds are to be distributed among local workforce investment areas (with no reservation for statewide workforce investment activities) on the basis of the same formulas used by the state to allocate funds within the state for PY 2007 Adult Activities or Dislocated Worker Activities, as described above. The allocation formulas are also to use the same data as used for the Adult/Dislocated Worker formula funds as described above.

8. Wagner-Peyser Act Final Allotments. The appropriated level for PY 2007 for employment service grants totals \$715,883,000. After reserving \$18 million for postage and determining the funding for outlying areas, allotments to states are calculated using the formula set forth at section 6 of the Wagner-Peyser Act (29 U.S.C. 49e). PY 2007 formula allotments are based on each state's share of calendar year 2006 monthly averages of the civilian labor force (CLF) and unemployment. The distribution of Wagner-Peyser funds for PY 2007 includes \$696,181,664 for states, as well as \$1,701,196 for outlying areas, and the postage reserve of \$18,000,000. Attachment VI shows the distribution of PY 2007 ES formula amounts by state compared to PY 2006.

Traditionally, a portion of Wagner-Peyser formula funds have been set aside in a reserve to pay for states' postage costs centrally. Beginning October 1, 2007 (FY 2008), all states and outlying areas will be required to pay their own postage costs with their formula grants. States were given the option to implement postage conversion earlier than October 1, 2007, at the beginning of any quarter in FY 2007. In addition to the formula funds discussed above, states will be issued postage funds applicable to the period of postage conversion implementation during PY 2007 as described below.

The total amount of PY 2007 postage funds for the ES activities is \$18,000,000. Seventy-five percent of this amount will be taken from the postage reserve and distributed to all states and outlying areas based on their pro rata share of the PY 2007 formula funds to cover postage conversion implementation which begins October 1, 2007 (last three quarters of PY 2007). In addition, the early implementer states will be given their pro rata share of the postage reserves left to cover the first quarter of PY 2007, thus giving them a full year of postage funds. These additional postage funds for states and outlying areas will be included in the total grant funds issued in the NOOs on July 1, 2007. Next year, for PY 2008, there will be no postage reserve taken off-the-top from funds distributed by formula; all funds will be distributed by formula and all states and outlying areas will use their formula grants to cover postage costs.

Under section 7(b) of the Wagner-Peyser Act, ten percent of the total sums allotted to each state shall be reserved for use by the Governor to provide performance incentives, services for groups with special needs, and for the extra costs of exemplary models for delivering job services.

9. Consolidated Work Opportunity Tax Credit (WOTC): The appropriated level for FY 2007 totals \$17,677,440. After reserving \$512,633 for postage and \$20,000 for the Virgin Islands, funds are distributed to states by administrative formula with a \$64,000 minimum allotment and a 95 percent stop-loss/130 percent stop-gain from the prior year allotment share percentage. The FY 2007 formula allotment data factors and related percentages are as follows:

- (1) 50 percent based on each state's relative share of total FY 2006 certifications issued for the WOTC/WtW Tax Credit program (applies WtWTC to retroactively processed workload resulting from FY 2006 hiatus);
- (2) 30 percent based on each state's relative share of the Civilian Labor Force (CLF), averages for the 12-month period, October 2005 through September 2006; and
- (3) 20 percent based on each state's relative share of adult recipients of Temporary Assistance for Needy Families (TANF), averages for the 12-month period, October 2004 through September 2005.

The final distribution of WOTC funding includes \$17,144,367 for states, \$20,000 for the Virgin Islands, and a postage reserve of \$512,633. Attachment VIII shows the distribution of FY 2007 WOTC formula amounts by state compared to FY 2006.

As in the Wagner-Peyser program, the full year amount of postage funds will not be reserved. However, since this program's funds are fiscal year funds and FY 2007 is the transition period for states which opted to implement postage conversion earlier than FY 2008, only the early implementer states will receive additional postage funds above the formula amounts in their FY 2007 grant. These states will receive their FY 2007 formula pro rata share of the postage reserve amount based on their quarter of implementation. In FY 2008, there will be no postage reserve taken from funds distributed by formula; all funds will be distributed by formula and all states will use their formula grants to cover postage costs.

The legislative authority for the Work Opportunity and Welfare-to-Work Tax Credits was reauthorized on December 20, 2006, through December 31, 2007. State Workforce Agencies are to use the FY 2007 funds to process all WOTC certification requests for employer new hires made on or after January 1, 2006, and before January 1, 2008. Additional guidance on the use of these funds will be provided in a WOTC Annual Planning Guidance TEG. L.

10. **Reporting.** For the WIA formula programs, states will be required to submit one WIA quarterly financial status report for each of the fund sources received (including a separate report for each of the funding periods for the Adult and Dislocated Worker Activities programs --July 1 funds and October 1 funds). This report will be divided into six separate sub-reports detailing statewide activities, statewide rapid response (Dislocated Worker Activities), local area administration, local area Youth Activities program, local area Adult Activities program, and local area Dislocated Worker Activities program. States are also to submit the designated financial report formats each quarter for the Wagner-Peyser funds and Work Opportunity Tax Credit program funds. There will be no separate reporting requirements for the additional postage funds.

For the additional Section 173(e) funding for Adult/Dislocated Worker Activities programs, which are tracked separately, the affected state is not to combine these funds with regular local area Adult Activities, local area Dislocated Worker Activities, or local administration fund reports. Instead, the state is required to submit separate quarterly financial status reports for these designated funds using the same local adult, local dislocated workers, and local administration report formats, depending on how the state chooses to distribute the funds.

11. **Inquiries.** Questions regarding these allotments and planning requirements may be directed to the appropriate Regional Office. Information may also be found at the ETA Web site at <http://www.doleta.gov>

12. Attachments:

- I. WIA and Wagner-Peyser Statutory Formula Descriptions
- II. WIA Youth Activities Allotments,
PY 2007 vs PY 2006
- III-A. WIA Adult Activities Allotments,
PY 2007 vs PY 2006
- III-B. WIA Adult Activities Allotments,
July 1 and October 1 Funding
- IV-A. WIA Dislocated Worker Activities Allotments,
PY 2007 vs PY 2006
- IV-B. WIA Dislocated Worker Activities Allotments,
July 1 and October 1 Funding
- V. WIA Additional PY 2007 Funding from WIA Section 173(e) for
Adult/Dislocated Worker Activities for Eligible States
- VI. Wagner-Peyser Act Allotments,
PY 2007 Final vs PY 2006 Final
- VII. Work Opportunity Tax Credit and Welfare to Work Tax Credit Programs,
FY 2007 vs FY 2006