

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WOTC
	CORRESPONDENCE SYMBOL OWI
	DATE May 15, 2013

ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 30-12

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE LIAISONS

FROM: JANE OATES /s/
Assistant Secretary

SUBJECT: Work Opportunity Tax Credit (WOTC) Funding Allotments for Fiscal Year (FY) 2013

1. **Purpose.** To provide the State Workforce Agencies (SWAs) with final funding allotments for the administration of the WOTC program through September 30, 2013.
2. **References.**
 - The Consolidated and Further Continuing Appropriations Act, 2013, Division F, Title V, Labor, Health and Human Services, and Education, and Related Agencies (Pub. L. 113-6)
 - Sections 309 and 327 of the American Taxpayer Relief Act of 2012 (Pub. L. 112-240)
 - Section 261 of the VOW to Hire Heroes Act of 2011 (Pub. L. 112-56)
 - Section 51 of the Internal Revenue Code of 1986, as amended
 - Wagner-Peyser Act, Section 7(d)
 - ETA Handbook No. 408, November 2002, Third Edition (the Handbook)
 - August 2009 Addendum to the Handbook
3. **Background.** In November 2012 and January 2013, the Employment and Training Administration (ETA) issued to SWAs the program funds provided by Congress under Public Law 112-175, the then-enacted continuing resolution for FY 2013. On March 26, Public Law 113-6, the Consolidated and Further Continuing Appropriations Act was enacted, which provides Department of Labor appropriations for the remainder of FY 2013.

Sequestration is a set of automatic, largely across-the-board spending reductions. In August 2011, as part of the Budget Control Act, bipartisan majorities in both the House of Representatives and Senate voted for sequestration as a mechanism to compel the Congress to act on deficit reduction. However, due to the failure to reach a deal on balanced deficit reduction to avoid sequestration, the President on March 1, 2013, was required by law to issue a sequestration order canceling approximately \$85 billion in budgetary resources across the Federal Government for the remainder of the Federal fiscal year.

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Both defense and non-defense programs are subject to reductions under sequestration unless exempted by law. The sequestration order requires a 5.0 percent reduction in non-exempt FY 2013 nondefense discretionary funding, which includes the Wagner-Peyser Employment Service program activities.

4. **Funding.** ETA is now issuing the balance of FY 2013 funding to the SWAs for WOTC program activities through September 30, 2013. The appropriated level for FY 2013 totals \$18,484,997, the same funding level as FY 2012. Because Congress appropriates funds for a combination of Employment Service technical assistance and training functions, including WOTC, as a single activity rather than as separate programs, projects, and activities, the Department of Labor has flexibility in determining how to implement the sequestration, and has chosen to maintain the FY 2012 level of funds for WOTC state allotments in FY 2013.

After allocating \$20,000 for the Virgin Islands, ETA distributes funds to states by administrative formula with a \$66,000 minimum allotment and a 95 percent stop-loss/120 percent stop-gain from the prior year allotment share percentage. The FY 2013 formula allotment data factors and related percentages are as follows:

- (1) Fifty percent based on each state's relative share of total certifications issued from October 1, 2011 through September 30, 2012 for the WOTC program;
- (2) Thirty percent based on each state's relative share of the Civilian Labor Force, averages for the 12-month period, from October 1, 2011 through September 30, 2012; and
- (3) Twenty percent based on each state's relative share of adult recipients of Temporary Assistance for Needy Families, averages for the 12-month period, from October 1, 2010 through September 30, 2011.

Attachment I shows the distribution of full FY 2013 WOTC funding amounts by state according to this formula, including those funds for the fiscal year previously awarded.

5. **General Administration.** SWAs are responsible for administering the WOTC program, including the certification process, promoting the program to employers, reducing and eliminating existing backlogs, and reporting program data on a quarterly basis.

In addition, SWAs must administer WOTC in accordance with the policies and procedural guidance set forth in the November 2002, Third Edition of ETA Handbook No. 408 (Handbook); the August 2009 Addendum to this Handbook; and Section 51 of the Internal Revenue Code of 1986, as amended. Current Federal Regulations at 20 CFR 658.400 Subpart E cover the complaint procedures. Other applicable requirements are listed in the Statement of Work (Attachment II).

6. **Reporting.** SWAs must report expenditures quarterly using ETA Financial Report (ETA Form 9130). These reports should cover all WOTC grant funds. Quarterly financial reports

are due within 45 days following the end of each quarter. Timely submission of these reports is extremely important to ensure proper accounting of funds. ETA's Regional Offices will conduct a financial reconciliation at the end of the fiscal year. Questions regarding financial management and reporting for FY 2013 or for existing prior year fund balances should be addressed to the appropriate Regional Office.

SWAs should use the Web-based Enterprise Business Service System Tax Credit Reporting System to report quarterly program activities and outcomes using ETA Form 9058. Quarterly performance reports are due within 45 days following the end of each quarter. Timely submission of these reports is very important for program management purposes and to enable ETA to respond to inquiries about program activities. Please direct questions about quarterly reporting on program activities to the appropriate Regional Office.

7. **Action Required.** ETA requests that State Administrators promptly transmit this Training and Employment Guidance Letter to appropriate staff.
8. **Inquiries.** Please direct questions regarding these allotments to the appropriate Regional WOTC Coordinator listed on the WOTC program Web site at: <http://www.doleta.gov/wotc>.
9. **Attachments.**
 - I. FY 2013 WOTC State Allotments
 - II. WOTC Statement of Work