

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WOTC
	CORRESPONDENCE SYMBOL OWI
	DATE April 29, 2022

ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 3-21, CHANGE 2

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE ADMINISTRATORS
WORK OPPORTUNITY TAX CREDIT COORDINATORS

FROM: ANGELA HANKS /s/
Acting Assistant Secretary

SUBJECT: Change 2 to Training and Employment Guidance Letter No. 3-21, *Work Opportunity Tax Credit (WOTC) Initial Funding Allotments for Fiscal Year 2022*

1. **Purpose.** This Change 2 to Training and Employment Guidance Letter (TEGL) No. 3-21 conveys the remaining balance for Fiscal Year (FY) 2022 WOTC funding allotments and explains application requirements for State Workforce Agencies (SWAs) based on appropriated funding. Additionally, this Change 2 TEGL announces 18 states selected to receive additional FY 2022 backlog award funding and provides instructions to those states on how to proceed. The rest of TEGL No. 3-21 remains the same.
2. **Action Requested.** Grantees must meet the application requirements detailed in section 4 within 30 calendar days from the date of this TEGL issuance.
3. **Summary and Background.**
 - a. Summary - On November 15, 2021, the Employment and Training Administration (ETA) issued TEGL No. 3-21, which announced the initial WOTC funding allotments of \$3,240,420 under the Extending Government Funding and Delivering Emergency Assistance Act, 2022 (Public Law 117-43). On December 3, 2021, the Further Extending Government Funding Act of 2022 (P.L. 117-70) provided a second continuing resolution (CR) in the amount of \$3,900,335, through February 18, 2022. ETA issued a Change 1 TEGL on December 27, 2021, which announced additional FY 2022 WOTC funding authorized under CR# 2. The Consolidated Appropriations Act of 2022 (P.L. 117-103) was signed into law on March 15, 2022, authorizing the full FY 2022 appropriations. This Change 2 TEGL announces the FY 2022 full-year allotment and state balances for funding. ETA has available grant funds totaling \$18,485,000 for normal operations in FY 2022. This Change 2 TEGL announces the remaining balance of \$11,344,245 for normal operations in FY 2022. The state allotment amounts are listed on Attachment I, “*Work Opportunity Tax Credits FY*

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2022 State Allotments and Balance after Dissemination to States under Continuing Resolutions (CR) 1 and 2.”

Additionally, the Consolidated Appropriations Act of 2022 authorized an additional \$3,500,000 in funding to support efforts to reduce WOTC processing backlogs and assist states in adopting and/or modernizing information technology for processing of certification requests. This Change 2 TEGL announces the 18 states selected to receive FY 2022 backlog awards, and their respective award amounts, in Section 4.

ETA requests that SWAs submit application(s) for funding according to the instructions in Section 4 of this TEGL.

- b. Background – The WOTC is set forth under section 51 of the Internal Revenue Code of 1986, and is effective until December 31, 2025, under Section 113 of Division EE, Title 3 -- Consolidated Appropriations Act, 2021 (P.L. 116-260). The U.S. Department of the Treasury, through the Internal Revenue Service (IRS), administers all tax-related provisions and requirements of the tax credit. The U.S. Department of Labor, through ETA, awards grants to states for administration of the WOTC.

4. Details.

Allotment Formula. ETA determines state allotments for normal WOTC operations according to the following methodology. After allocating \$20,000 to the U.S. Virgin Islands, ETA distributes the remaining funds to the SWAs by administrative formula with a \$66,000 minimum allotment and a 95 percent stop-loss/120 percent stop-gain from the previous year allotment-share percentage. The administrative formula is calculated as follows:

- a. 50 percent is based on each state’s relative share of total WOTC certifications issued from October 1, 2020 through September 30, 2021;
- b. 30 percent is based on each state’s relative share of the Civilian Labor Force averages for the 12-month period from October 1, 2020 through September 30, 2021; and
- c. 20 percent is based on each state’s relative share of adult recipients of Temporary Assistance for Needy Families averages from October 1, 2019 through September 30, 2020.

Application Requirements for FY 2022 Funding. ETA requires grantees to submit an electronically signed copy of the SF-424 Form through Grants.gov for funding opportunity number ‘ETA-WOTC-TEGL-3-21-22-C2’ at <https://www.grants.gov>, within 30 calendar days from the issuance date of this TEGL. The official, electronically signed SF-424 Form must reflect the remaining balance to the state amount listed in Attachment I for the requested estimated funding total in item #18, the Catalog of Federal Domestic Assistance Number “17.271” for item #11, and the grantee’s 12-character Unique Entity Identifier listed for item #8c on the SF-424 Form. Also, Item #18e of the SF-424 must indicate the amount of Indirect Costs claimed by the recipient, if any.

States selected for FY 2022 WOTC Backlog Award funding must enter the award amount for their state on a **separate** SF-424 Form, *Application for Federal Assistance* (OMB Control No. 4040-0004), and submit an electronically signed copy of the SF-424 through Grants.gov for Funding Opportunity Number ‘ETA-WOTC-TEGL-3-21-22-C2’ at www.grants.gov, within 30 calendar days from the date of this TEGL’s issuance.

Starting on April 4, 2022, the DUNS Number will be replaced by a new, non-proprietary identifier requested in and assigned by SAM.gov. This new identifier is being called the Unique Entity Identifier (UEI), or the Entity ID. Each applicant must have a UEI number available, and it must be registered with the System for Award Management (SAM) at <https://www.sam.gov>, before submitting an application. To submit the required documents, applicants must follow the “Apply for Grants” link on Grants.gov and download the links for the grant application package. For this grant opportunity, applicants should not follow the “Find Grants” link, as this is not a competitive funding opportunity. If applicants encounter a problem with Grants.gov and do not find an answer in any of the other available resources, they should call 1-800-518-4726 or 1-606-545-5035 to speak to a Customer Support Representative, or send an email to support@grants.gov. Please note: Effective June 2017, applicants can no longer access SAM using Internet Explorer (IE) web browser versions older than IE11.

Revised Award Descriptions. As part of a Federal government-wide effort to describe grant activities consistently and accurately, ETA is revising its standard grant award descriptions. States may see the following text in the grant award or in online descriptions of the WOTC grants:

- **Purpose:** The purpose of this grant is to allow state workforce agencies (SWAs) to administer WOTC per ETA guidance and provisions of the Internal Revenue Code of 1986, Section 51, as amended. Law designates the SWAs as the only agencies that can issue a Certification (26 USC sec. 51(d)(12).
- **Activities to be performed:** SWAs must use funds to implement the requirements set forth in the WOTC Statement of Work, including to: Designate a state coordinator who oversees the administration of WOTC for each state grant; Determine eligibility of individuals as members of targeted groups on a timely basis, and issue employer certifications, denials, or notices of invalidation for tax credits on a timely basis, and in accordance with the policies and procedures set forth by ETA; and Establish and maintain appropriate forms’ quality review process, record keeping, and reporting capability related to the orderly management of WOTC certification requests. .
- **Expected Outcomes:** For WOTC grants, SWAs will issue determinations (certifications or denials) for employers’ certification requests, which facilitate tax credits determined by the U.S. Department of the Treasury. For WOTC backlog awards, SWAs will increase efficiency in processing employers’ certification requests and develop plans that include an estimated timeline to eliminate existing backlogs of certification requests.
- **Intended Beneficiaries:** Job seekers who have access to a higher number of employment opportunities, and employers who seek to increase hiring of qualified job applicants. Other beneficiaries include state and local partner agencies in the

American Job Center network that coordinate efforts to promote WOTC to employers, job seekers, and other Workforce Innovation and Opportunity Act (WIOA) partners.

- **Subrecipient Activities:** SWAs, as WOTC grant recipients, do not typically subaward funds. States that wish to subaward funds should seek approval from the Grant Officer.

FY 2022 WOTC Backlog Awards. ETA will distribute WOTC backlog awards to approximately 18 new states with the most critical needs to alleviate processing backlogs and assist states in adopting or modernizing information technology for processing of certification requests. To inform the selection process, ETA analyzed the following data:

- a. FY 2021 backlog total and the percentage ratio it represents of the state’s total workload;
- b. FY 2020 and FY 2021 financial reports; and
- c. FY 2021 qualitative data based on states’ narratives.

ETA carefully reviewed these three sources of data to gain an understanding of the states’ needs and any contributing factors that led to the states’ backlog. ETA did not consider the states that received backlog awards in FY 2020 nor FY 2021 due to the overlapping grant period of performance. ETA examined the remaining states’ backlogs and information technology modernization needs to identify this third set of selected states. Additionally, ETA analyzed FY 2020 and FY 2021 financial reports to determine a state’s ability to use additional funding and did not select states with extraordinarily low expenditure rates to receive backlog funds. Finally, ETA reviewed the narratives that the states previously submitted in FY 2021, and reconfirmed states’ information in FY 2022. The narratives explain the states’ existing processing systems, how the system impacts their ability to efficiently process certification requests, and how the states could use this award to make improvements to their existing systems or procedures to reduce their backlog. The selected states expressed interest in this additional backlog funding to help them attain staff support, enhance their current partial automated systems, and develop automated systems. Based on these factors, ETA identified 18 states with the most critical need to address backlog or system modernization issues and to receive additional funding. Based on the availability of \$3,500,000 in funds, ETA established three funding tiers to distribute these awards to 18 states:

- Tier 1 = \$100,000
- Tier 2 = \$200,000
- Tier 3 = \$300,000

The selected states and corresponding funding amounts for these awards are as follows:

\$100,000	\$200,000	\$300,000
<ul style="list-style-type: none"> • District of Columbia • Massachusetts • Nebraska 	<ul style="list-style-type: none"> • Arkansas • Georgia • Maine 	<ul style="list-style-type: none"> • Iowa • Maryland • Tennessee

<ul style="list-style-type: none"> • Puerto Rico • Vermont • U.S. Virgin Island 	<ul style="list-style-type: none"> • Michigan • Minnesota • Mississippi • New Mexico 	<ul style="list-style-type: none"> • Texas • Wisconsin
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Note: If a state fails to submit the required application materials in a timely manner, or decides to refuse the award, ETA reserves the right to either redistribute such funds to the other selected states and/or consider additional state(s) for an award, as appropriate. A subsequent Change TEGL will announce these funds after award, if applicable.

General Administration. SWAs are responsible for using their FY 2022 funding allotments to conduct WOTC activities outlined in the WOTC Statement of Work. See Attachment II of TEGL No. 3-21, *Work Opportunity Tax Credit (WOTC) Initial Funding Allotments for Fiscal Year 2022*, for the *Work Opportunity Tax Credit (WOTC) Statement of Work*, available here: https://wdr.doleta.gov/directives/corr_doc.cfm?docn=3188.

Reporting Requirements.

a) **Quarterly Financial Report** – SWAs must report fiscal expenditures quarterly using ETA Form 9130. Financial reports are due no later than 45 days following the end of each quarter. Timely submission of these reports is important to ensure proper accounting of funds.

b) **Quarterly Performance Report** – SWAs must use the web-based Enterprise Business Support System (EBSS) Tax Credit Reporting System to report quarterly activities and outcomes using ETA Form 9058. Performance reports are due no later than 45 days following the end of each quarter. Timely submission of these reports is important for administration purposes.

5. **Inquiries.** Please direct inquiries to the appropriate WOTC Regional Coordinator listed on the WOTC website at <https://www.dol.gov/agencies/eta/wotc/contact/regional-offices>.

6. **References.**

- Training and Employment Guidance Letter (TEGL) No. 03-21, *Work Opportunity Tax Credit (WOTC) Initial Funding Allotments for Fiscal Year 2022* (https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3188);
- Change 1 to TEGL No. 03-21, *Work Opportunity Tax Credit (WOTC) Initial Funding Allotments for Fiscal Year 2022* (https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=6032);
- Section 51 of the Internal Revenue Code of 1986, as amended (<https://uscode.house.gov/view.xhtml?path=/prelim@title26/subtitleA/chapter1/subchapterA/part4/subpartF&edition=prelim>);
- P.L. 117-43 -- Extending Government Funding and Delivering Emergency Assistance Act of 2022 (<https://www.congress.gov/117/plaws/publ43/PLAW-117publ43.pdf>);
- P.L. 117-70 -- Further Extending Government Funding Act of 2022 (<https://www.congress.gov/117/plaws/publ70/PLAW-117publ70.pdf>);

- P.L. 117-86 -- Further Additional Extending Government Funding Act of 2022 (<https://www.congress.gov/117/plaws/publ86/PLAW-117publ86.pdf>); and
- P.L. 117-103 -- Consolidated Appropriations Act of 2022 (<https://www.congress.gov/117/bills/hr2471/BILLS-117hr2471enr.pdf>).

7. Attachment(s).

- Attachment I: Work Opportunity Tax Credits FY 2022 State Allotments and Balance after Dissemination to States under Continuing Resolutions (CR) 1 through 2