

U. S. Department of Labor Employment and Training Administration Washington, D.C. 20210	<b>CLASSIFICATION</b> Dislocated Workers & Youth
	<b>CORRESPONDENCE SYMBOL</b> OAS
	<b>DATE</b> August 16, 2001

**TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 3-01**

**TO : ALL STATE WORKFORCE LIAISONS**

**ALL STATE WORKER ADJUSTMENT**

**LIAISONS**

**ALL STATE EMPLOYMENT SECURITY**

**AGENCIES**

**ALL ONE-STOP CENTER SYSTEM LEADS**

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**FROM: EMILY DeROCCO**  
**Assistant Secretary**

**SUBJECT: PY 2001 Changes in Dislocated Worker and Youth Funds**

1. Purpose. To provide guidance on ETA plans and procedures to reduce dislocated worker program formula funds, to invite State questions on issues requiring additional guidance, and to provide information on the availability of additional Youth funds for PY 2001 as a result of the passage of the Supplemental Appropriations Act, 2001 (Public Law 107-20).

2. References.

a. **TEGL 12-00**

2. Supplemental Appropriations Act, 2001 (Public Law 107-20, July 24, 2001; 115 Stat.

155)

3. Background. Per Title II, Chapter 7 of the Supplemental Appropriations Act, 2001: “Of the funds made available under this heading in the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2001 (as enacted into law by Public Law 106•554), for Dislocated Worker Employment and Training Activities, \$177,500,000 available for obligation for the period July 1, 2001 through June 30, 2002 are rescinded: Provided, That, notwithstanding any other provision of law, \$110,000,000 is from amounts allotted under section 132(a)(2)(B), and \$67,500,000 is from the National Reserve under section 132(a)(2)(A) of the Workforce Investment Act: Provided further, That notwithstanding any other provision of law, the Secretary shall reduce each State's program year 2001 allotment under section 132(a)(2)(B) by applying an allocation methodology that distributes the rescission based on each State's share of unexpended balances as of June 30, 2001: Provided further, That the effective date of the rescission shall be at the time the Secretary determines, based on the best information available, each State's unexpended balance as of June 30, 2001.” As a result of this rescission, dislocated worker program funds in PY 2001 are reduced to \$1.413 billion compared with \$1.590 billion in PY 2000. An additional \$25 million is made available for Youth activities for PY 2001.

4. Procedures.

a. **June 2001 Reports.** State financial reports for the quarter

ending June 30, 2001, for all applicable fund years are due by August 15, 2001. In the past, such reports have often contained errors because of delinquent reporting within the State, especially in those States with large numbers of workforce investment areas and service providers. As defined in TEGL 16-99, accrued Federal outlays are the sum of actual cash disbursements for goods and services; plus net increase or decrease in the amounts owed by the recipient for goods and other property received; for services performed by employees, contractors, subgrantees, and other payees and other amounts becoming owed for which no current services or performance is required. States should ensure that data contained in financial reports are consistent with this definition.

Regional Offices will work with State officials to meet the deadlines mandated for this process. Regional Office staff will examine State expenditure reports and conduct follow-up onsite reviews where necessary in those instances where preliminary analysis suggests a need for verification of the expenditures reported.

b. **Procedure for allocating State expenditures and distributing rescission.** Financial reports covering local administrative expenditures and statewide activities include funds allotted to States through the dislocated worker funding stream but do not track those expenses by original funding stream. In order to make a reasonable estimate for both PY 1999 and PY 2000, ETA plans to allocate local administrative expenditures in proportion to local availability (before transfer) of youth, adult and dislocated worker funds. ETA plans to proportionally allocate statewide expenditures based on the amount the State has made available for these activities.

Financial reports may include intertitle transfers of funds between adult and dislocated worker funding streams that have been approved by the Governor by no later than June 30, 2001. All such transfers will be reflected in ETA computations of unexpended balances.

**The dislocated worker rescission will be based on PY 1999 and PY 2000 unexpended balances.** According to the legislation, the rescission is to be based on “each State’s share of unexpended balances as of June 30, 2001.” As of June 30, 2001, each State could have had unexpended balances remaining from its PY 1998, PY 1999, and PY 2000 allotments. This includes the FY 2001 portion of the PY 2000 allotment. Because congressional intent is to reduce PY 2001 funding based on the availability of unspent prior year funds for PY 2001 activities, ETA will utilize the sum of unexpended formula-allotted funds from PY 1999 and PY 2000 allotments as the basis for rescission calculations. Although PY 1998 funds are technically available for expenditure “as of” June 30, 2001, any such unexpended funds will not be available for expenditure during PY 2001 and will not be included in the “unexpended balance” for rescission purposes.

c. **State Re-allocation Among Local Areas.** The Congress and ETA are concerned that the rescission not adversely affect those local areas that are spending at reasonable rates. Therefore, the State can reallocate or amend the formula from lower spending to higher spending local areas. The Conference Report of the Supplemental Appropriations Act notes that Governors have the authority to re-allocate unobligated funds among local areas and encourages the exercise of this authority where this is needed.

In addition, Governors have the authority under WIA Section 133(b)(2)(B), to revise the formula used to allocate dislocated worker funds to local areas. The Act notes, “Such formula may be amended by the Governor not more than once for each program year. Such formula shall utilize the most appropriate information available to the governor to distribute amounts to address the State’s worker readjustment assistance needs.” Through this authority, Governors may adjust the formula used to distribute local area funds to consider the relative needs and expenditure levels of the States’ local areas, in accordance with the State plan and consultation with chief elected officials in the local areas

as required under WIA Section 133(b)(1)(B).

d. **Final Within-State distribution percentages.** With respect to the revised dislocated worker funds allotment adjusted as a result of the rescission, the within-State distribution of those funds must follow the statutory requirements:

(1) a minimum of 60 percent of each State's revised DW allotment will be provided through formula allocation to local areas;

(8) a maximum of 15 percent of each State's revised DW allotment will be used for Statewide activities as authorized under WIA Sections 128(a) and 133(a)(1); and

(3) a maximum of 25 percent of each State's revised DW allotment will be used for Statewide rapid response activities as authorized under WIA Section 133(a)(2).

Despite this rescission, States are expected to maintain capacity to provide required levels of rapid response assistance and support for statewide activities.

Compliance with these requirements will be measured against the full year's allotment (Program Year plus Fiscal Year portions).

e. **Youth allocations.** The additional \$25 million for Youth will be allotted using the same methodology as the initial formula allotment. There are 16 States which receive no additional funds from the supplemental. This is because these States are held harmless at their 1998 allotment level per the WIA minimum provisions, both in the initial allotment and the revised allotment.

The additional funds are not sufficient to exceed the minimum amounts already provided in the initial allotment.

ETA expects to allot these funds by August 25.

e. **Planned schedule.** A schedule of activities on financial report review and the publication of revised allotments and the transmittal of Notices of Obligation can be found in Attachment A.

5. Action Required. States should:

a. Maximize their efforts to provide timely reports and to ensure the accuracy of the reports submitted.

a. Promptly alert their Regional Offices of any significant errors found subsequent to their initial submittal of these reports.

a. Provide this guidance to appropriate staff.

6. Inquiries. A list of “Rescission Questions and Issues” can be found in Attachment B. Additional questions on this TEGl should be addressed to the appropriate Regional Office contact as soon as possible.

7. Attachments.

- A. Schedule of Activities
- B. Rescission Questions and Issues

Attachment A

## SCHEDULE OF ACTIVITIES

- a. August 15 — States input financial information into EIMS for the quarter ending June 30, 2001.
  
- a. August 15-31 — Regional Office review and follow-up with States on missing reports and questions.
  
- a. August 25 — Distribution of supplemental youth funds through Notices of Obligation to the States.
  
- a. September 1-14 — National Office analysis and compilation of State financial data.
  
- a. September 25 — Publish TEGL and Federal Register announcement of

revised PY Dislocated Worker 2001 allotments.

a. September 30 — Effective date of Notices of Obligation to States containing reduction resulting from rescission.

a. October 1 — Effective date of Notice of Obligation for October 1 portion of PY 2001 allotments.

Attachment B

## Rescission Questions and Issues

1. Basis for Calculating Rescission. According to the legislation, the rescission is to

be based on “each State’s share of unexpended balances as of June 30, 2001.” As of June 30, 2001, each State could have had unexpended balances remaining from its PY 1998, PY 1999, and PY 2000 allotments.

The sum of unexpended formula-allotted funds from only the two most recent years’ allotments will be the basis for rescission calculations. Because congressional intent is to reduce PY 2001 funding based on the availability of

unspent prior year funds for PY 2001 activities, ETA will utilize the sum of unexpended formula-allotted funds from PY 1999 and PY 2000 allotments as the basis for rescission calculations. Although PY 1998 funds are technically available for expenditure as of June 30, 2001, any such unexpended funds will not be available for expenditure during PY 2001 and will not be included in the “unexpended balance” for rescission purposes.

1. Impact on NRA and NEG funds. Congressional intent is use a different allocation methodology for applying the rescission than the formula contained under WIA. Discretionary projects funded through the National Reserve Account and National Emergency Grant processes are not affected. Such projects are awarded when formula-allotted resources are not sufficient to respond to specific layoff events.

Costs originally incurred under an NRA or NEG grant may not be re-booked against formula funds. ETA Regional staff will review States’ financial reports to ensure that use of NRA/NEG funds is not affected by the rescission.

1. Cost limits. The administrative cost limits will apply to the revised allotment levels.

1. Distribution of Reserve Funds. At the National Office level, the 5 percent cap on Technical Assistance and Training funds will apply to the revised (post-rescission) reserve fund amount. For PY 2001, the 10 percent cap on DW demonstration projects has been waived by Congress.

1. Distribution of Within-State DW Allotments. The Conference

Report states, “The conferees note that the Governors of each State under the Workforce Investment Act have the authority to re-allocate unobligated funds among local areas. The conferees encourage the Governors to exercise this authority for local areas where there is need.” Neither the bill nor the report contains further guidance about how the impact of the rescission is to affect distribution of DW funds within a State. The within-State distribution of DW funds will follow the statutory requirements:

1. a minimum of 60 percent of each States’ revised DW allotment will be provided through formula allocation to local areas;

1. a maximum of 15 percent of each States’ revised DW allotment will be used for Statewide activities as authorized under WIA Sections 128(a) and 133(a)(1); and

1. a maximum of 25 percent of each States’ revised DW allotment will be used for Statewide rapid response activities as authorized under WIA Section 133(a)(2).

6. Outlying Areas. Allotments to outlying areas are capped at 0.25 percent of the dislocated worker appropriation. The maximum amount of DW funding available for outlying areas drops from \$3,975,100 to \$3,531,350. At the higher level, \$486,685 of the outlying area DW funds supported competitive grants to those areas totaling \$1,000,000.

Our current plan is to apply the \$443,750 reduction in DW funding for outlying areas entirely to the competitive grants.

6.                    Timing. The rescission will be applied to the July 1, 2001, allotments and announced no later than September 30, 2001. The FY 2002 portion of the PY 2001 allotment will become available on October 1, 2001.

8.                    Intertitle transfers. Local areas have authority to transfer up to 20 percent of their DW formula funds to the adult program.

Intertitle transfers approved by the relevant Governor no later than June 30, 2001, are to be reflected in the financial reports for the period ending June 30, 2001.