

U.S. Department of Labor
 Employment and Training Administration
 Washington, D.C. 20210

CLASSIFICATION Dislocated Workers
CORRESPONDENCE SYMBOL OAS
DATE May 14, 2001

TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 26-01

**TO: ALL STATE WORKFORCE LIAISONS
 ALL STATE WORKER ADJUSTMENT LIAISONS
 ALL STATE WORKFORCE AGENCIES
 ALL ONE-STOP CENTER SYSTEM LEADS
 /S/**

**FROM: EMILY STOVER DeROCCO
 Assistant Secretary**

**SUBJECT: Advance Notice of Revised PY 2001 Allotments for
 Dislocated Worker
 Activities**

1. Purpose. Last summer, Congress proposed and enacted a rescission of \$177.5 million from the WIA Title I dislocated worker program for PY 2001. This notice is to provide to states advance notice of a planned determination by the Secretary of Labor on or before June 28, 2002, of revised Program Year (PY) 2001 allotments for the dislocated worker program under WIA Title I as a result of the congressional rescission contained in the Supplemental Appropriations Act, 2001 (Public Law 107-20). In furtherance of the implementation of that rescission, the Employment and Training Administration will revise applicable Notices of Obligation (NOO) on or before June 28, 2002. The President has proposed a supplemental appropriation to restore the amount rescinded from the dislocated worker formula program and that proposal is

pending before Congress.

2. References.

A. TEGL 12-00, dated March 6, 2001, TEGL 5-99, dated February 17, 2000, TEGL 3-01, dated August 16, 2001, and TEGL 3-01, Change 2, dated September 28, 2001.

B. Supplemental Appropriations Act, 2001 (Public Law 107-20, July 24, 2001; 115 Stat. 155, 178), and Workforce Investment Act of 1998 (Public Law 105-220; 29 U.S.C. 2801 et seq.).

3. Background. The Supplemental Appropriations Act, 2001 (Public Law 107-20, Title II, Chapter 7), rescinds \$177.5 million from the dislocated worker program for PY 2001. The Act calls for a reduction of \$110 million (8.6 percent of the amount previously appropriated) from the formula program and \$67.5 million (21.2 percent of the amount previously appropriated) from the Secretary's national reserve account. The level of funding for the dislocated worker program is reduced to \$1.413 billion due to the rescission. The Act requires the Secretary to distribute the rescission based on each state's share of unexpended balances as of June 30, 2001. The procedures for implementing the rescission were provided in Training and Employment Guidance Letter (TEGL) 3-01, "PY 2001 Changes in Dislocated Worker and Youth Funds" dated August 16, 2001. This guidance letter was amended September 28, 2001 ("Change 2"). TEGL 3-01, Change 2, stated that the rescission would take effect after additional time for review and analysis of expenditure reports on the dislocated worker program.

4. Rescission. The Secretary of Labor will make a determination of each state's share of the rescission, consistent with the requirements of PL 107-20, on or before June 28, 2002. The outlying areas, which are funded from

the Secretary's dislocated worker program national reserve account, will have a reduction of \$443,750 in available funds for PY 2001.

Attached is a proposed table that identifies each state's share of the rescinded funds. ETA has recommended that the Secretary adopt the amounts displayed in the proposed table in making her determination of the distribution of the rescission. As you have been informed, these amounts were calculated by the Department's review and analysis of reports submitted by the states reflecting dislocated worker program expenditures as of June 30, 2001.

5. The Administration's Supplemental Request. Because of the concern about the impact of the reductions during a period of increased need for dislocated worker program services, the President has requested a supplemental appropriation to restore the rescission of formula grant funds and provide an additional \$550 million for national emergency grants. This action has been taken to respond effectively to the needs of dislocated workers.

6. Authority to Revise Local Formula. Until there is action on the President's supplemental request, Governors are urged to take advantage of the authority provided under WIA section 133(b)(2)(B) (and 20 CFR 667.130(e)) to meet continuing demands for dislocated worker program services. The Act provides, "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 needs" WIA sec. 133(b)(2)(B)(i). Information that must be considered is listed at WIA section 133(b)(2)(B)(ii) and 20 CFR 607.130(e)(2). Application of this authority must comply with 20 CFR 661.230 regarding the state plan and

consultation requirements.

7. **Reallotment.** WIA section 132(c) requires the Secretary to conduct reallotment of dislocated worker formula funds based on state financial reports submitted at the end of the Program Year. The procedures the Secretary uses for recapture and reallotment of funds are described in WIA regulations at 20 CFR 667.150. As stated in Training and Employment Guidance Letters 12-00 and 5-99, it was intended that the first reallotment of funds under WIA would be in PY 2001 based on obligations of PY 2000 funds. Due to the rescission, the Secretary has determined that the reallotment will not apply to dislocated worker formula funds in PY 2001 based on our review of the rescission language in PL 107-20 (Supplemental Appropriations Act, 2001).
8. **Notice of Obligation (NOO) Adjustment.** The Notice of Obligation for the state dislocated worker program will be revised to reflect the reduction in the level of funding required by the rescission. The adjustment of funds will be made to the NOOs for PY 2001 (July 1 to June 30) allotments as required by Public Law 107-20 (Supplemental Appropriation Act, 2001). We expect all states to control their expenditures so that the funds to be recovered are available upon the issuance of the revised NOOs and upon the Secretary's determination on or before June 28, 2002.
9. **Action Required.** State Liaisons are requested to provide this guidance letter to the appropriate WIA staff.
10. **Inquiries.** Direct questions regarding the rescission and revised allotments to the appropriate Regional Office.
11. **Attachments.**

- A. PY 2001 WIA Dislocated Worker Activities State Allotments, Impact of PY 2001 Rescission.
- B. Dislocated Worker State Formula PY 2001 Rescission Methodology.

CC:DADW FILES:HOLL:SMITH:PALMER:ASET:FINAL 9/27/01:final 12/20/01:edits per dh 12/21/01:EDITS PER SBAILEY 1/25/02:edits per rh 1/29/02:edits per dh 2/19/02:final

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REVISED BY ESDeROCCO 5/13/02