

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WIA/Wagner-Peyser/Reemployment Services/Workforce Information Grants
	CORRESPONDENCE SYMBOL OWS
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TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 13-01

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

FROM: /s/
EMILY STOVER DeROCCO
Assistant Secretary

SUBJECT: Workforce Investment Act (WIA) Allotments for Program Year (PY) 2002; Wagner-Peyser Act Preliminary Planning Estimates for PY 2002; Reemployment Services Allotments for PY 2002; and Workforce Information Grants to States for PY 2002

1. **Purpose.** To provide states and outlying areas with WIA title I Adults and Dislocated Workers and Youth Activities allotments for PY 2002; preliminary planning estimates for PY 2002 public employment service (ES) activities, as required by Section 6(b)(5) of the Wagner-Peyser Act, as amended; Reemployment Services allotments for PY 2002; and the Workforce Information Grants to States for PY 2002.

2. **References.** Wagner-Peyser Act, as amended (29 U.S.C. 49 *et seq.*); Workforce Investment Act of 1998 (WIA), (29 U.S.C. 2801 *et seq.*) P.L. 106-113; Planning Guidance and Instructions for Submission of the Strategic Five-Year State Plan for Title I of the Workforce Investment Act of 1998 and the Wagner-Peyser Act (64 F.R. 9402 (February 25, 1999)); State Unified Planning Guidance (65 F.R. 2464 (January 14, 2000)); Training and Employment Guidance Letter (TEGL) No. 11-98; TEGL 3-99, dated January 31, 2000; TEGL 12-00, dated March 6, 2001; and TEGL 22-00, dated May 23, 2001.

3. **Background.** The WIA allotments, the Wagner-Peyser Act preliminary planning estimates, the Reemployment Services allotments, and the Information Grants to States allocations are part of the Fiscal Year 2002 funds appropriated in the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2002, Public Law 107-116, January 10, 2002. This appropriation includes:

RESCISSIONS	EXPIRATION DATE Continuing
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Youth Activities: \$1,353,065,000 - a decrease of \$24.9 million, or 1.8 percent below PY 2001 (including the \$25 million supplemental), composed of: (1) Formula funds - \$1,127,965,000; and (2) Youth Opportunity Grants - \$225,100,000;

Adult Activities: \$950,000,000 - the same level as PY 2001;

Dislocated Workers Activities: \$1,549,000,000 - a decrease of \$41,040,000, or 2.6 percent below the PY 2001 level;

Wagner-Peyser Act (preliminary planning estimates): \$761,735,000 - the same as the PY 2001 level;

Reemployment Services: \$35,000,000 - the same level as PY 2001; and

Workforce Information Grants to States: \$38,000,000 - the same level as PY 2001.

The WIA allotments for states are based on formulas defined in the Act. The allotments for outlying areas are based on a discretionary formula as authorized under WIA title I. These allotments and preliminary planning estimates were published in the Federal Register on March 8, 2002. Comments are being invited from the public on the formula used to distribute outlying areas funds only.

4. Outlying Areas Funds for Youth Activities, Adult Activities, and Dislocated Worker Activities

A. Total funds for outlying areas. The total funds available for the outlying areas for each program were reserved at the maximum 0.25 percent of the full amount appropriated for each program in accordance with WIA provisions. For Youth Activities, this calculation was done on the total appropriation including \$225.1 million for Youth Opportunity Grants. The calculation resulted in \$3,382,663, a decrease of \$124,750, or 3.6 percent, from the PY 2001 level. The total available for the outlying areas for the Adult Activities program is \$2,375,000, the same level as PY 2001. Outlying areas' total funds for Dislocated Worker Activities are \$3,872,500, a decrease of \$102,600 for the areas from PY 2001.

WIA section 127(b)(1)(B)(i)(IV) provides that the Freely Associated States (Marshall Islands, Micronesia, and Palau) are not eligible for funding for any program year beginning after September 30, 2001. However, section 3 of Public Law 106-504, (November 13, 2000), supercedes this section of WIA, and provides that the Freely Associates States remain eligible for funding until negotiations on the Compact of Free Association is complete and consideration of legislation pursuant to the compact is completed. Accordingly, the Freely Associated States are provided funds for PY 2002.

B. Competitive Grants. The WIA provisions for competitive grants from all three programs for the outlying areas expired after PY 2001, thus no competitive grant funds are available in PY 2002.

C. Formula Grants. For the Youth Activities and Adult Activities programs, the funds were distributed among all outlying areas by the same formula as used for these programs for PY 2001, i.e., based on relative share of number of unemployed with a 90 percent hold-harmless of the prior year share, a \$75,000 minimum, and a 130 percent stop-gain of the prior year share. Data used for the relative share calculation in the formula were the same as used for PY 2001 for all outlying areas, essentially 1995 Census data from special surveys. Updated 2000 special Census data are expected to be available for next year's allotment calculations. The Dislocated Worker Activities funds for grants to all outlying areas were distributed by the methodology previously used, i.e., based on the same pro rata share as the areas received for the PY 2002 WIA Adult Activities program. For amounts determined for outlying areas, see Attachment I for Youth Activities, Attachment II-A for Adult Activities, and Attachment III-A for Dislocated Workers Activities.

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

A. State and Native Americans Allotments. PY 2002 Youth Activities funds appropriated under WIA total \$1,353,065,000 (including \$225.1 million for Youth Opportunity grants). Attachment I contains a breakdown of the \$1,127,965,000 in WIA Youth Activities program allotments by state for PY 2002 and provides a comparison of these allotments to PY 2001 Youth Activities allotments for all states, outlying areas, Puerto Rico and the District of Columbia.

The total amount available for Native Americans is 1.5 percent of the total amount for Youth Activities excluding Youth Opportunity Grants, in accordance with WIA Section 127. This total is \$16,919,475, the same level as the PY 2001 Youth Activities level (including the supplemental appropriation) for Native Americans.

After determining the amount for the outlying areas (discussed in item 4 above) and Native Americans, the amount available for allotments to the states for PY 2002 is \$1,107,662,862, a nominal increase of \$124,750 from the PY 2001 level (including the supplemental appropriation). This total amount was above the required \$1 billion threshold specified in Section 127(b)(1)(C)(iv)(IV); therefore, as in PY 2001, the WIA additional minimum provisions were applied:

1. Minimum 1998 dollar (not percentage) (JTPA II-B and II-C combined) allotment, and
2. Two-tier small state minimum allotment (.3 percent of first \$1 billion and .4 percent of amount over \$1 billion), rather than .25 percent. These provisions were in addition to the traditional provision of a 90 percent hold-harmless from the prior year allotment percentage. Also, as required by WIA, the provision applying a 130 percent stop-gain of the prior year allotment percentage was used. The three formula factors required in WIA use the following data for the PY 2002 allotments:

(a) the number of unemployed for areas of substantial unemployment (ASU's) are averages for the 12-month period, July 2000 through preliminary June 2001;

(b) the number of excess unemployed individuals or the ASU excess (depending on which is higher) are averages for the same 12-month period used for ASU unemployed data; and

(c) the number of economically disadvantaged youth (age 16 to 21, excluding college students and military) are from the 1990 Census. (2000 Census data are not expected to be available for use until PY 2004 allotment calculations.)

B. Notices of Obligation (NOOs) and State Plans. Pursuant to WIA section 189(g)(1)(B), youth allotments will be issued on April 1, 2002. In preparation for this action, states will be receiving grant documents shortly. Those states who plan to receive their Youth Allotments by April 1 should complete and return their new WIA Annual Funding Agreements by mid-March. This will allow for the timely execution of the new WIA Annual Funding Agreements and Youth allotments by April 1, 2002.

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.

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 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 2002 based on obligations made during PY 2001 (20 CFR §667.150 of the WIA interim final regulations). There were no recapture/reallotment of WIA funds in PY 2001.

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

A. State Allotments. The total Adult Employment and Training Activities appropriation is \$950,000,000, the same level as PY 2001. Attachment II-A shows the PY 2002 Adult Employment and Training Activities allotments and comparison to PY 2001 allotments by state. After determining the amount for the outlying areas (discussed in item 4 above), the amount available for allotments to the states is \$947,625,000, the same as PY 2001. Unlike the Youth Activities program, the WIA minimum provisions were not applied for the PY 2002 Adult Activities allotments because the total amount available for the states was below the \$960 million threshold required for Adults in section 132(b)(1)(B) (iv)(IV). Instead, as required by WIA, the JTPA section 202(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 were used. Also, like the Youth Activities program, a provision applying a 130 percent stop-gain of the prior year allotment percentage was used. The three formula factors use the same data as were 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) from the 1990 Census were used. (2000 Census data are not expected to be available for use until PY 2004 allotment calculations.)

B. NOO's. For PY 2002, Congress appropriated funds for this program in two portions: \$238 million available for obligation on July 1, 2002, and \$712 million available for obligation on October 1, 2002 (FY 2003). Allotments to states will be prorated based on these amounts and two NOO's will be issued: one for July 1, 2002, under the PY 2002 WIA grant agreement, and the other for October 1, 2002, (also under the PY 2002 WIA grant agreement) (see Attachment II-B).

C. Within-State Allocations. Adult 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 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 Workers Activities, and up to 20 percent of Dislocated Workers Activities funds to Adult Activities.

E. Reallotment of funds. Reallotment of Adult Activities 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 2002 based on obligations made during PY 2001 (20 CFR §667.150 of the WIA interim final regulations). There were no recapture/reallotment of WIA funds in PY 2001.

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

A. State Allotments. The total Dislocated Worker appropriation is \$1,549,000,000, a decrease of \$41,040,000, or 2.6 percent from the PY 2001 pre-rescission level. The total appropriation includes 80 percent allotted by formula to the states, while 20 percent is retained for National Emergency Grants, technical assistance and training, demonstration projects, and the outlying areas Dislocated Worker allotments (outlying areas are discussed in item 4 above). Attachment III-A shows the PY 2002 Dislocated Worker Activities fund allotments by state.

The amount available for allotment to the states is eighty percent of the Dislocated Workers appropriation, or \$1,239,232,000, a decrease of 2.6 percent from the PY 2001 pre-rescission level. Since the Dislocated Worker Activities formula has no floor amount or hold-harmless provisions, funding changes for states directly reflect the impact of changes in number of unemployed. The three formula factors required in WIA use the following data for the PY 2002 allotments:

- (1) the number of unemployed are averages for the 12-month period, October 2000 through September 2001;
- (2) the number of excess unemployed are averages for the 12-month period, October 2000 through September 2001; and
- (3) the number of long-term unemployed are averages for calendar year 2000.

B. NOO's. For PY 2002, Congress appropriated funds for this program in two portions, \$489,000,000 available for obligation on July 1, 2002, and \$1,060,000,000 available for obligation on October 1, 2002 (FY 2003). Allotments to states will be prorated based on these amounts and two NOO's will be issued: one for July 1, 2002, under the PY 2002 WIA grant agreement, and the other for October 1, 2002, (also under the PY 2002 WIA grant agreement) (see Attachment III-B).

C. Within-State Allocations. Dislocated Worker Activities funds are to be distributed among local workforce investment areas (subject to reservations for Rapid Response and 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 Dislocated Workers Activities funds to Adult Activities, and up to 20 percent of Adult Activities funds to Dislocated Workers Activities.

E. Reallotment of Funds. Reallotment of Dislocated Worker Activities 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 2002 based on obligations made during PY 2001 (section 667.150 of the WIA interim final regulations). There were no recapture/reallotment of WIA funds in PY 2001.

8. **Wagner-Peyser Act Grants to States Preliminary Planning Estimates**. The public employment service program involves a Federal-State partnership between the U.S. Department of Labor and the State Workforce Agencies. Under the Wagner-Peyser Act, funds are allotted to each state to administer a labor exchange program responding to the needs of the state's employers and workers through a system of local employment service offices that are part of the One-Stop service delivery system established by the state. Attachment IV shows the Wagner-Peyser Act preliminary planning estimates for PY 2002. These preliminary planning estimates have been produced using the formula set forth at section 6 of the Wagner-Peyser Act (29 U.S.C. 49e). They are based on monthly averages for each state's share of the civilian labor force (CLF) and unemployment for the 12 months ending September 2001. Final planning estimates will be published in the Federal Register, based on calendar year 2001 data, as required by the Wagner-Peyser Act.

State planning estimates reflect \$16,000,000, or 2.1 percent of the total amount appropriated, which is being withheld from distribution to states to finance postage costs associated with the conduct of Wagner-Peyser Act labor exchange services for PY 2002.

The Secretary of Labor is required to set aside up to three percent of the total available funds to assure that each state will have sufficient resources to maintain statewide employment service (ES) activities, as required under Section 6(b)(4) of the Wagner-Peyser Act. In accordance with this provision, the 3 percent set-aside funds, \$22,372,050, are included in the total planning estimate. The set-aside funds are distributed in two steps to states which have lost in relative share of resources from the previous year. In Step 1, states which have a CLF below one million

and are also below the median CLF density are maintained at 100 percent of their relative share of prior year resources. All remaining set-aside funds are distributed on a pro-rata basis in Step 2 to all other states losing in relative share from the prior year but not meeting the size and density criteria for Step 1.

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

9. Reemployment Services. The purpose of these funds is to ensure that all Unemployment Insurance (UI) claimants receive the necessary services to become re-employed. The total funds available for PY 2002 are \$35 million, the same as in PY 2001. The allocation figures for the distribution of the \$35 million in Reemployment Services funds for each state for PY 2002 are listed in Attachment V. The remaining funds were allocated using the following method: each state received \$215,000; the remaining funds were distributed using each state's share of first payments for FY 2001 to UI claimants. There will be a slight increase in funds to the states this year as there was no deduction in PY 2002 for an evaluation of services provided through these funds. Guidance on the use of these funds will be provided in a separate TEGL.

10. Workforce Information Grants to States. Total PY 2002 funding for Workforce Information Grants to States is \$38,000,000, the same as for PY 2001. Funds are allocated by formula to the fifty states, the District of Columbia, Guam, Puerto Rico and the Virgin Islands. Part of the allotment formula is based on the relative share of the CLF for each entity. Slight year-to-year changes in the size of the CLF in each area resulted in insignificant increases and decreases to PY 2002 allotments, as compared to PY 2001 allotments. Guidance on the use of these funds will be provided in a separate TEGL.

11. Reporting. For the WIA programs, states will be required to submit one WIA quarterly report for each of the fund sources received (including a separate report for each of the funding periods for Adults and Dislocated Workers -- July 1 funds and October 1 funds). This report will be divided into six separate sub-reports detailing statewide activities; statewide rapid response (Dislocated Workers Activities); local area administration; local area Youth program activities; local area Adult program activities; and local area Dislocated Workers program activities.

12. Inquiries. Questions regarding these allotments, preliminary planning estimates and planning requirements may be directed to the appropriate Regional Office. Information may also be found at the website - <http://usworkforce.org>.