

<b>EMPLOYMENT AND TRAINING ADMINISTRATION          ADVISORY SYSTEM          U.S. DEPARTMENT OF LABOR          Washington, D.C. 20210</b>	CLASSIFICATION ASU/WIA
	CORRESPONDENCE SYMBOL OPDR
	DATE            March 14, 2006

**TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 20-05**

**TO:** ALL STATE WORKFORCE AGENCIES  
 ALL STATE WORKFORCE LIAISONS  
 ONE STOP CENTER SYSTEM LEADS

**FROM:** EMILY STOVER DEROCCO  
 Assistant Secretary 

**SUBJECT:** Revised Action for Designation of Areas of Substantial Unemployment (ASUs) under the Workforce Investment Act (WIA) for Program Year (PY) 2006

1. **Purpose.** To inform states of the immediate action required to address data quality issues affecting the designation of ASUs, as defined in the WIA, in each state in order to allot funds under the Act for Youth and Adult programs for PY 2006.

2. **References.** Sections 127(b)(2)(B) and 132(b)(1)(B)(v)(III) of the WIA define an ASU and require that ASU determinations be made once each fiscal year. These ASU designations will be used by the Department of Labor for the allotment of WIA Title I, Chapters 4 and 5 funds to states for PY 2006. Section 182 of WIA requires all allotments to states under Title I to be based on the latest available data and estimates satisfactory to the Secretary.

3. **Background.** In late 2005, the Employment and Training Administration (ETA) and the Bureau of Labor Statistics (BLS) issued guidance to the states on the methodology for determining ASUs for PY 2006. PY 2006 was to be the first year to use the 2000 decennial census data, and the 2005 guidance was aimed at avoiding a 2000 Census data processing problem related to group quarters (e.g., college dormitories) which distorts labor force and unemployment data. Use of such erroneous census data in identifying ASUs would have resulted in BLS not certifying the

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PY 2006 ASU data for the state allotments. The PY 2006 state ASU data developed under this guidance was submitted by states and has been certified by BLS.

However, an analysis of PY 2006 state ASU data and calculation of the PY 2006 state allotments using this data revealed a significant impact on state shifts in funding that was very likely due to the revised methodology and appeared to affect states disproportionately. As a result of this analysis and consideration of concerns raised by several states, ETA has identified short term (PY 2006) and, if needed, longer term (PY 2007 and beyond) solutions for addressing this issue that are applicable to both state ASU and within-state ASU calculations.

**4. PY 2006 Solution.** Under this revised guidance, ETA authorizes states to break out smaller geographical areas within the BLS Local Area Unemployment Statistics (LAUS) established areas for purposes of identifying state and within-state ASUs for PY 2006; however, the 1990 census data is the latest available data satisfactory to ETA that can be used for this purpose. Designating the use of 1990 data requires states to recalculate their PY 2006 state and within-state ASUs and requires BLS and ETA to review the revised state ASU calculations (BLS and ETA have no role in reviewing within-state ASU calculations). This solution, in effect, means a repeat of the state PY 2006 ASU process that has just ended.

While this process is underway, data will not be available in time for ETA to calculate the full state formula allotments normally issued at the beginning of the program years for the WIA Youth and Adult programs. Therefore, to provide sufficient funding to allow the programs to continue into PY 2006 and to avoid any disruption in program operations, ETA will provide interim partial allotments based on the minimum amounts states are guaranteed under the WIA formula minimum provisions. These provisions ensure that states receive a minimum amount equivalent to the higher of: 90 percent of their prior year allotment percentage applied to the PY 2006 total funds available for states, or, if higher, 0.25 percent of the PY 2006 total funds available for states. For the Adult program, since appropriated funds are required to be issued in two portions, July 1 and October 1, the interim partial allotment for each portion would be proportionately based on the state's full year minimum amount. This would give states the majority of funds they would normally receive.

The interim partial amounts will be announced as part of the annual allotment announcement process by way of a TEGL and Federal Register Notice in early April. When revised ASU data are submitted by states and certified by BLS, full formula allotments for the states will be calculated and also announced in the Federal Register, and eligible states will receive their remaining formula funds. It is anticipated that the remaining funds (for the Adult program, the remaining July 1 funding portion) could be distributed just a few weeks after the start of the Program Year.

5. ETA Plans for PY 2007 and Beyond. ETA will be pursuing avenues for other possible longer-term solutions, such as working with the Census Bureau to produce special tabulations of 2000 Census unemployment and employment data for households only (no group quarters) by census tract, state, county, city, minor civil division and township that can be used by states to develop ASUs for future years.

6. Action Requested. States are requested to recalculate their state and within-state ASUs using only 1990 Census data to disaggregate BLS LAUS areas into smaller geographical units. To minimize the delay this action will impose on the calculation of the PY 2006 state full formula allotments, this solution will require immediate action by states. BLS will also be issuing appropriate instructions. States should ensure that all designation forms are in the ETA and BLS National Offices by April 14, 2006. The copy for ETA should be sent to U.S. Department of Labor, Attention: Wayne S. Gordon, Room N-5637, 200 Constitution Avenue, N.W., Washington, D.C. 20210. The copy for BLS should be sent to Bureau of Labor Statistics, Division of Local Area Unemployment Statistics, Mail Code 140, Room 4675, 2 Massachusetts Avenue, N.E., Washington, D.C., 20212-0001, Attention: Ms. Lisa Williamson.

7. Inquiries. Questions or comments can be directed to Ms. Maria K. Flynn, Administrator, Office of Policy Development and Research, (202) 693-3700, or to the appropriate regional office.