

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION TAA
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TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 09-06

TO: STATE WORKFORCE AGENCIES
 STATE WORKFORCE LIAISONS
 STATE TRADE COORDINATORS

FROM: EMILY STOVER DeROCCO /s /
 Assistant Secretary

SUBJECT: Fiscal Year (FY) 2007 State Base Allocations and the Process for
 Requesting Additional Trade Adjustment Assistance (TAA) Program
 Reserve Funds

1. **Purpose.** To provide states with the formula methodology used in developing the Fiscal Year (FY) 2007 base allocations and to describe the process for requesting additional TAA program reserve funds for training and job search and relocation allowances.
2. **References.** The Trade Act of 1974, as amended; the Governor-Secretary Agreement; 2 CFR Part 225 (codifying OMB Circular A-87); 20 CFR Part 617; 29 CFR Parts 96, 97, 98, and 99; Training and Employment Guidance Letter (TEGL) 2-04 "Trade Adjustment Assistance (TAA) Program Reserve Funds," dated July 14, 2004; and TEGL 4-05 "Fiscal Year 2006 State Base Allocations and the Process for Requesting Additional Trade Adjustment Assistance (TAA) Program Reserve Funds," dated September 8, 2005.
3. **Background.** The Employment and Training Administration (ETA) revised its fund allocation process for the TAA program and implemented a formula-based methodology for distributing training funds on October 1, 2003. This approach enables states to receive a base allocation at the beginning of the fiscal year. The formula has proven effective in allowing states to better plan and manage resources for addressing the employment and training needs of trade-certified workers.

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The funding formula facilitates the fair and equitable distribution of available resources for training; encourages states to serve the greatest number of people with the resources available in the current fiscal year; provides an incentive for states to fund training plans through the end of the current fiscal year rather than mortgaging this year's funds for next year's needs; provides states with the ability to more effectively plan and manage the use of their TAA training resources; and is consistent with ETA's goal to secure rapid, suitable, and long-term employment for adversely affected workers.

4. **Overview of Funding Process.** The training appropriation for the TAA program will be \$220 million once the Department's appropriations bill for FY 2007 is enacted. The total base allocation level is equal to 75 percent, or \$165 million, of available TAA training funds. The factors used in determining each state's share of the formula funds include previous year accrued expenditures and participant levels. The remaining 25 percent, or \$55 million, is reserved for distribution to states experiencing large, unexpected layoffs or having training needs that exceed available funds.

States must submit a fund request and demonstrate that at least 50 percent of all available TAA training funds have been accrued as expenditures, or otherwise demonstrate need, in order to access reserve funds. To apply for reserve funds, as well as job search and relocation allowance funds, states must use the Standard Form (SF) 424, Application for Federal Assistance and the ETA-9117, Trade Adjustment Assistance Reserve Funding Request Form (OMB Approval Number 1205-0275).

An additional 15 percent will be added for program administration to any base allocation, reserve training funds or job search and relocation allowance funds awarded to states.

5. **FY 2007 Fund Allocation Process.** For FY 2007, the formula is the same as the formula used for FY 2006 -- 75 percent of training funds are available to states by formula, and 25 percent will be held in reserve. The process is as follows:

- A. **TAA Formula Funds:** 75 percent of the \$220 million available for TAA training – or \$165 million – is being distributed to states using the following formula:

- 50 percent of TAA formula funds, or \$82.5 million, is being distributed based on accrued training expenditures reported for FY 2004, FY 2005 and the first two quarters of FY 2006 on the SF-269, Financial Status Report (i.e., the sum of each state's accrued expenditures for training for FY 2004, FY 2005 and the first two quarters of FY 2006, divided by 2.5).

- 50 percent of TAA formula funds, or \$82.5 million, is being distributed based on the average number of training participants for FY 2004, FY 2005 and the first two quarters of FY 2006 as reported on the ETA-563, Quarterly Determinations, Allowance Activities and Employability Services (OMB Approval Number 1205-0016) (i.e., the sum of each state's reported participants for FY 2004, FY 2005 and the first two quarters of FY 2006, divided by 2.5).

With regard to participant data, each fiscal year's participants are calculated by taking new participants reported as enrolling in training during that year and adding them to individuals reported in training on the last day of the prior fiscal year. Participant level data includes all trade-affected workers with an approved training plan, regardless of funding source.

- To minimize significant fluctuations in state funding from prior years, the formula for FY 2007 also contains the "hold-harmless" feature used since implementation of the formula. The "hold-harmless" factor ensures that each state's base allocation is at least 85 percent of the base allocation the state received in FY 2006.
- In those instances where the formula approach would have given states less than \$100,000, those states will not receive a base allocation and will need to use WIA formula funds for TAA training and/or request TAA reserve funds in accordance with the procedures described in Section B.

The base allocations for each state are attached.

B. TAA Reserve Funds: The remaining 25 percent of the \$220 million requested for TAA training – or \$55 million – is being designated as reserve funding. Reserve funds will be distributed to states on an as-needed basis and are designed to provide monies to those states that experience large, unexpected layoffs or have training needs that are not met by their base allocation. In order to be eligible for TAA reserve funds, states must demonstrate that at least 50 percent of all available TAA training funds during FY 2007 have been expended on an accrual basis, or otherwise demonstrate need. States requesting reserve funds must complete the SF-424 and ETA-9117 and submit them in accordance with instructions contained in TEGL 2-04.

In addition to the criteria contained in TEGL 2-04, factors that will be taken into consideration during the review of these funding requests will include: the expenditure of FY 2007 base allocation funds; the expenditure of prior fiscal year TAA funds; the availability of WIA and other sources of funds; the number of participants currently enrolled in training; the number of participants with approved training plans who have not started training; the number of anticipated new enrollees; the number of petitions certified; the average take-up

rate for training; the average training cost per participant; the average training duration; and the average training completion rate.

- C. **Job Search and Relocation Allowances:** States may also request job search and relocation allowances for trade-affected workers who are unable to find employment within their local commuting area. These funds must be requested using the ETA-9117 and may be submitted at any time or in combination with a request for reserve training funds.
- D. **TAA Program Administration Funds:** States will continue receiving an additional 15 percent of all base allocation, reserve, and job search/relocation allowances for program administration. The administrative funds will be included each time funds are obligated to states by ETA.

The program administration estimates for each state are also included in the attached.

Consistent with the TAA Annual Cooperative Financial Agreement, ETA may recapture any funds that states are unable to utilize within a reasonable period of time, but only after consultation with and appropriate notification to state officials.

- 6. **Program Reporting.** The formula approach to distributing TAA funds emphasizes the importance of accurate and timely reporting of training participant and expenditure data on the ETA-563 and SF-269. Reported data on these forms are critical in determining the level of funds states will receive each year for serving trade-affected workers. It is in each state's best interest to ensure accuracy and timeliness of reported data in the ETA-563, SF-269, and the Trade Act Participant Report (TAPR) (OMB Number 1205-0392). Data on the TAPR are used to derive the average training duration and the training completion rate when evaluating state requests for TAA reserve funds. Moreover, reported outcomes data on the TAPR will be given serious consideration for use in subsequent year TAA formula funding. In addition, accurate information on the SF-424 and ETA-9117 submitted by states is essential for assessing requests for TAA reserve funds and job search and relocation allowances.
- 7. **Action Required.** States should ensure that all trade and workforce investment program staff are informed and knowledgeable of this funding methodology.
- 8. **Inquiries.** States should direct all inquiries to the appropriate ETA regional office.
- 9. **Attachment.** FY 2007 State Base Allocations and Administrative Allotments.