EXHIBIT 1

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WIOA/Wagner-Peyser
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ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 16-17

TO: STATE WORKFORCE AGENCIES
ALL STATE WORKFORCE LIAISONS

FROM: ROSEMARY LAHASKY /s/
Deputy Assistant Secretary

SUBJECT: Workforce Innovation and Opportunity Act (WIOA) Adult, Dislocated Worker and Youth Activities Program Allotments for Program Year (PY) 2018; Final PY 2018 Allotments for the Wagner-Peyser Act Employment Service (ES) Program Allotments; and the Allotments of Workforce Information Grants to States for PY 2018

1. **Purpose.** To provide information to states and outlying areas on WIOA Title I Adult, Dislocated Worker and Youth Activities program allotments for PY 2018; final allotments for PY 2018 for the Wagner-Peyser ES Program, as required by section 6(b)(5) of the Wagner-Peyser Act, as amended; and the allotments of Workforce Information Grants to states for PY 2018.

2. **References.**
   - Consolidated Appropriations Act, 2018 (Pub. L. 115-141);
   - Bipartisan Budget Act of 2018 (Pub L. 115-123);
   - Balanced Budget and Emergency Deficit Control Act of 1985, as amended (Title II of Pub. L. 99-177);
   - Budget Control Act of 2011 (Pub. L. 112-25);
   - Training and Employment Guidance Letter (TEGL) No. 14-17 , *Updated Disadvantaged Youth and Adult Data for use in Program Year (PY) 2018 and future Workforce Innovation and Opportunity Act (WIOA) Youth and Adult Within-State Allocation Formulas;*
   - Workforce Innovation and Opportunity Act (Pub. L. 113-128);
   - Wagner-Peyser Act, as amended (29 U.S.C. 49 et seq.);
   - Workforce Investment Act of 1998 (Pub. L. 105-220);
   - Job Training Partnership Act (JTPA) (Pub. L. 97-300), as amended by the Job Training Reform Amendments of 1992 (Pub. L. 102-367);
   - Compact of Free Association Amendments of 2003 (Pub. L. 108-188);
   - TEGL No. 5-06, *Implementing the Salary and Bonus Limitations in Public Law 109-234;*

RESCISSIONS	EXPIRATION DATE
TEGL No. 13-17	Continuing

- TEGL No. 2-16, *Revised ETA-9130 Financial Report, Instructions, and Additional Guidance*; and
- *Local Area Unemployment Statistics (LAUS) Technical Memorandum No. S-17-18, Program Year 2018 Areas of Substantial Unemployment under the Workforce Innovation and Opportunity Act, dated August 7, 2017.*

3. <u>Background</u>. On March 23, 2018, the Consolidated Appropriations Act, 2018, Pub. L. 115-141 was signed into law (from this point forward, referred to as "the Act"). The Act makes PY 2018 Youth Activities funds available for obligation in early April 2018. However, the Act funds the WIOA Adult and Dislocated Worker programs in two separate appropriations. The first appropriation becomes available for obligation on July 1, 2018; this portion is commonly referred to as the "base" funds. The second appropriation becomes available for obligation on October 1, 2018; this portion is commonly referred to as "advance" funds because they are provided in the appropriations act passed during the fiscal year immediately before the fiscal year when the funds are available. For example, funds for PY 2018 that will be made available on October 1, 2018 were appropriated during FY 2018, but not made available until FY 2019, and are called the FY 2019 "advance" funds. See Attachment A for details.

The Act, Division H, Title I, sec. 107, allows the Secretary of Labor (Secretary) to set aside up to 0.75 percent of most operating funds for evaluations. The evaluation provision is consistent with the Federal government's priority on evidence-based policy and programming, providing opportunities to expand evaluations and demonstrations in the Department of Labor (Department) to build solid evidence about what works best. The funds transferred to the Department's Chief Evaluation Office are used to implement formal evaluations and demonstrations in collaboration with the Employment and Training Administration (ETA). For 2018, the Department has set aside 0.125 percent of the Training and Employment Services (TES) and State Unemployment Insurance and Employment Services Operations (SUIESO) appropriations. ETA spread the amount to be set aside from each appropriation across all of the programs funded by that appropriation with more than $100 million in funding. This includes WIOA Adult, Youth, Dislocated Worker, and Wagner-Peyser Employment Service program budgets.

The Act, Division H, Title I, sec. 106(b), allows the Secretary to set aside up to 0.5 percent of each discretionary appropriation for activities related to program integrity. For 2018, the Department set aside 0.3 percent of most discretionary appropriations, which reduced WIOA Adult, Youth, Dislocated Worker, Wagner-Peyser Employment Service and Workforce Information Grant program budgets.

ETA applied the reductions for evaluations and program integrity from the WIOA Adult and Dislocated Worker programs only to the FY 2019 "advance" funding levels; "base" funding is disseminated at the full amount appropriated in the Act.

The Act also specifies the following provisions:

- The Secretary may reserve not more than 10 percent of the Dislocated Worker National Reserve funds to provide technical assistance and carry out additional activities related to the transition to WIOA.
- Salary caps are imposed under the Act, Division H, Title I, sec. 105. No funds under the header "Employment and Training Administration" shall be used by a recipient or sub-recipient to pay the salary and/or bonus of an individual, either as direct costs or indirect costs, at a rate in excess of Executive Level II. The rates of basic pay for the Executive Schedule are found at https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/. States also may establish lower salary caps. See TEGL No. 5-06.

WIOA allotments for states are based on formula provisions contained in WIOA (for your information see Attachment B for WIOA and Wagner-Peyser formula descriptions). The Act waives the competition requirement contained in WIOA secs. 127(b)(1)(B)(ii), 132(b)(1)(A)(ii), and 132(b)(2)(A)(ii) regarding funding to outlying areas (i.e., American Samoa, Guam, Commonwealth of the Northern Mariana Islands, the Republic of Palau, and the United States Virgin Islands). For PY 2018, outlying area grant amounts are based on the administrative formula determined by the Secretary that was used under WIA.

WIOA specifically included the Republic of Palau as an outlying area, except during any period for which the Secretary of Labor and the Secretary of Education determine that a Compact of Free Association is in effect and contains provisions for training and education assistance prohibiting the assistance provided under WIOA. No such determinations prohibiting assistance have been made (WIOA sec. 3(45)(B)). WIOA updated the Compact of Free Association Amendments of 2003, Pub. L. 108-188 (December 17, 2003) so that the Republic of Palau remained eligible for WIOA Title I funding. See 48 U.S.C. 1921d(f)(1)(B)(ix). The Act, Division H, Title III, sec. 305 of Pub. L. 115-141 authorized WIOA Title I funding to Palau through FY 2018.

In addition to this TEGL, ETA will publish the allotments and descriptions of the allotment formulas in the Federal Register. In this Federal Register notice, ETA will invite comments on the allotment formula for outlying areas.

4. State WIOA Youth Activities Funds: Title I--Chapter 2--Youth Activities.

A. State Allotments. The appropriated level for PY 2018 for WIOA Youth Activities totals $903,416,000. After reducing the appropriation by $1,129,000 for evaluations and $2,710,000 for program integrity, $899,577,000 is available for Youth Activities, which includes $13,493,655 for Native American grantees, $883,868,137 for states, and $2,215,208 for outlying areas. Note that under WIOA the basis for calculating the 1/4 of one percent reserved for outlying areas is based on the total available for Youth Activities after the Native American reservation. The Native American reservation is calculated on the total available for Youth Activities. Attachment D contains a breakdown of the

WIOA Youth Activities program allotments by state for PY 2018 and provides a comparison of these allotments to PY 2017. Please note that the Department will provide information on the Native American Youth allotments in a separate TEGL.

The Department has allotted the PY 2018 Youth Activities program allotments among the states in accordance with the formula required by WIOA. For reference, the Department allots these funds to the states based on the following data factors:

1. The average number of unemployed individuals for Areas of Substantial Unemployment (ASUs) for the 12-month period, July 2016 through June 2017, as prepared by the states under the direction of the Bureau of Labor Statistics (BLS), in each state compared to the total number of unemployed individuals in ASUs in all states;

2. The number of excess unemployed individuals or excess unemployed individuals in ASU (depending on which is higher) averages for the same 12-month period, July 2016 through June 2017 compared to the total excess individuals or ASU excess in all states; and

3. The number of disadvantaged youth (age 16 to 21), excluding college students in the workforce and military) from special tabulations of data from the American Community Survey (ACS) in each state compared to the total number of disadvantaged youth in all states. The Census Bureau collected the data used in the special tabulations for disadvantaged youth between January 1, 2011, and December 31, 2015.

Since the total amount available for states in PY 2018 is below the required $1 billion threshold specified in WIOA sec. 127(b)(1)(C)(iv)(IV), which was also the case in PY 2017, the Department did not apply the WIOA additional minimum provisions (see Attachment B). Instead, as required by WIOA, the minimums of 90 percent of the prior year allotment percentage and 0.25 percent state minimum floor apply. This is the same methodology to set a floor on the annual variation in allotments as has been applied almost continuously for more than two decades. See sec. 262(b)(2) of the Job Training Partnership Act (JTPA) (Pub. L. 97-300), (as amended by sec. 207 of the Job Training Reform Amendments of 1992, Pub. L. 102-367); sec. 127(b)(1)(C)(iv)(IV) of the Workforce Investment Act of 1998 (Pub. L. 105-220). WIOA also provides that no state may receive an allotment that is more than 130 percent of the allotment percentage for the state for the previous year.

B. PY 2018 Funding WIOA Agreement/Notice of Award (NOAs). Upon execution of the PY 2018 WIOA Annual Funding Agreement/NOA, Youth program funds will be available for states to use.

C. Sub-State Allocations. States must distribute WIOA Youth Activities funds among local workforce areas (subject to reservation of the 15 percent limitation for statewide

workforce employment and training activities) in accordance with the provisions of WIOA sec. 128 and their approved Unified or Combined WIOA State Plan. In allocating Youth Activities funds to local areas for PY 2018, states may use either the allocation formula described in WIOA sec.128(b)(2) or the discretionary allocation formula in WIOA sec. 128(b)(3), and ensure the state policy articulated in the approved State Plan remains consistent with this guidance. In accordance with sec. 182(e) of WIOA, sub-state allocations must be made available to local areas not later than 30 days after the date funds are made available to the state or 7 days after the date the local plan for the area is approved, whichever is later. **See Attachment C-1 and C-2** for a description of sub-state allocation formulas.

1. Allocation Formula. Thirty-three and 1/3 percent of the total funds available for local allocations are allocated based on each local area's relative share of each data factor listed below.

    a. The relative number of unemployed individuals in Areas of Substantial Unemployment (ASUs) in each local area, compared to the total number of unemployed individuals in ASUs in all local areas in the state. For this factor, the timeframe for comparison is the 12-month period, July 2016 to June 2017.

    b. The relative excess number of unemployed individuals in each local area, compared to the total excess number of unemployed individuals in all local areas in the state. See the definition of "excess number" below which requires a comparison of the excess unemployed in ASUs with excess unemployed in all areas. For this factor, the timeframe for comparison is the 12-month period, July 2016 to June 2017.

    c. The relative number of disadvantaged youth (age 16 to 21, excluding college students in the workforce and military), in each local area, compared to the total number of disadvantaged youth in all local areas in the state. The number of disadvantaged youth comes from special tabulations of data from the ACS prepared in accordance with the definition provided in WIOA. The Census Bureau collected this data between January 1, 2011 and December 31, 2015.

    For purposes of identifying ASUs for the youth Activities sub-state allocation formula, states must use data made available by BLS (as described in LAUS Technical Memorandum No. S-17-18).

    The term "excess number" means, used with respect to the excess number of unemployed individuals within a local area, the higher of (i) the number that represents the number of unemployed individuals in excess of 4.5 percent of the civilian labor force in the local area; or (ii) the number that represents the number of unemployed individuals in excess of 4.5 percent of the civilian labor force in ASUs in such local area.

For purposes of determining the number of disadvantaged youth for the sub-state Youth formula, states must use the special tabulations of ACS data available at http://www.doleta.gov/budget/disadvantagedYouthAdults.cfm. ETA obtained updated data for use in PY 2018. See TEGL No. 14-17 for further information.

States must utilize a minimum percentage (or stop loss) to ensure that no local area receives an allocation percentage that is less than 90 percent of the average allocation percentage received by the local area for the previous two years. An allocation percentage is the local area's share or percentage of funds allocated to all local areas. States must **not** use 90 percent of the average *amount* allocated to the local area for the last two years. States must obtain amounts necessary to increase allocations to local areas to comply with the minimum percentage requirement by proportionately reducing the allocations to be made to other local areas.

States must not use a maximum percentage (or stop gain).

2. Discretionary Formula. Alternatively, a state may use a discretionary formula. When using a discretionary formula, a state distributes a portion that is at least 70 percent of the funds according to the allocation formula described in subparagraph 4.C.1 of this TEGL, and the remainder on the basis of a formula that incorporates additional factors relating to:

   a. excess youth poverty in urban, rural, and suburban areas; **and**

   b. excess unemployment above the state average in urban, rural, and suburban local areas.

   Of the portion of funds distributed according to the allocation formula described in subparagraph 1, a state must not assign unequal percentages to the ASU, excess unemployment, and economically disadvantaged data factors. These three data factors carry equal weights and must not total less than 70 percent of the formula.

   Of the remainder, states may determine the percentage to allocate to data factors reflecting excess youth poverty and excess unemployment above the state average.

   States also have flexibility in choosing what data they want to use related to youth poverty and excess unemployment above the state average. States **may not** reuse the allocation formula data factors (ASU, excess unemployment, and disadvantaged youth) to distribute the remainder. Using data factors such as high school dropout rate may be an acceptable reflection of youth poverty, but the state must articulate how such factors relate to youth poverty in the State Plan.

   For the portion of funds distributed according to the allocation formula (which represent at least 70 percent of the distributed funds), the state must employ the minimum percentage (or stop loss), as described in subparagraph 1 on the allocation

formula. The state may choose whether to apply the minimum percentage to the remainder portion of funds that the state distributes according to the discretionary formula (which represent not more than 30 percent of the distributed funds).

The State Board must develop the discretionary formula and the Secretary must approve it as part of the State Plan.

D. Transfers of Funds.

1. Section 20802 of the Bipartisan Budget Act of 2018 (Pub L. 115-123) expanded transfer authority for states and local workforce areas affected by Hurricanes Harvey, Irma, and Maria to include Youth activities. Subject to approval by the Governor, in such states (including Puerto Rico) affected by these hurricanes, a local board in a local area affected by these hurricanes may transfer up to 100 percent of the funds allocated to the local area for Program Years 2016 and 2017 for Youth, Adult or Dislocated Worker employment and training activities among youth, adult, and dislocated worker activities. For the transfer authority to apply, one of the named hurricanes must have affected both the state and the particular local area.

2. United States Virgin Islands - Except for the funds reserved to carry out required statewide activities, the Governor of the United States Virgin Islands may authorize the transfer of up to 100 percent of the remaining funds provided to the United States Virgin Islands for Program Years 2016 and 2017 for Youth, Adult, or Dislocated Worker activities among youth, adult, and dislocated worker activities;

3. All other states and local workforce areas do not have the authority to transfer funds to or from the Youth Activities program.

E. Re-allotment of Funds. WIOA sec. 127(c) requires the Secretary of Labor to recapture and reallot Youth Activities program formula funds based on state obligation levels at the end of the first program year of use (ETA reallots in accordance with 20 CFR 683.135). PY 2017 funds are only available for Federal obligation until the end of the program year, and so the Secretary does not have authority to reobligate PY 2017 funds after the first program year. Therefore, any reallotment of funds requires the use of PY 2018 funds. In other words, recapture and reallotment of PY 2018 funds is based on obligation levels of PY 2017 funds at the end of PY 2017.

1. The obligation threshold a state must meet to avoid recapture under WIOA sec. 127(c)(2) is 80 percent. The term obligation is defined at 2 CFR 200.71. The funds that a state allocates to a local area are state obligations. WIOA requires states to allocate at least 85 percent of Youth Activities funds to local areas. Therefore, by making the required local allocations, the state has obligated more than 80 percent of its PY 2017 funds and no further action is required regarding reallotment of PY 2018 funds.

2. States report the aggregate amount of allocations to the local areas on the Local Youth ETA 9130 (B) financial reports, along with obligations by local areas of those funds.

Small State Minimum Allotment States. WIOA sec. 129(a)(4)(B) allows a state that receives a small state minimum allotment under WIOA sec. 127(b)(1) (relating to the youth formula program) or 132(b)(1) (relating to the adult formula program) to submit a request for approval to the Department to decrease the percentage of funds spent on out-of-school youth (OSY) to not less than 50 percent in a local area. To determine if a state receives a small state minimum allotment, review the PY 2018 columns in Attachments D and E. States that meet the criteria for PY 2018 as a minimum allotment state are those states that receive a PY 2018 WIOA Youth allotment of $2,209,670 or receive a PY 2018 WIOA Adult allotment of $2,101,059. If a state wishes to submit a small state OSY exception request, they must submit the request for PY 2018 by September 30, 2018. The request must be submitted to the appropriate ETA Regional Administrator and contain the required justification outlined in the WIOA final rule at 20 CFR 681.410(b).

5. State Adult Employment and Training Activities Funds: Title I--Chapter 3--Adult and Dislocated Worker Employment and Training Activities.

A. State Allotments. The total appropriated funds for Adult Activities in PY 2018 is $845,556,000. After reducing the appropriated amount by $890,000 for evaluations and $2,136,000 for program integrity, $842,530,000 remains for Adult Activities, of which $840,423,675 is for states and $2,106,325 is for outlying areas. Attachment E shows the PY 2018 Adult Employment and Training Activities allotments and a state-by-state comparison of the PY 2018 allotments to PY 2017 allotments.

The three formula data factors that the Department uses to distribute WIOA Adult Activities funds among the states are the same as those used for the Youth Activities formula, except that data is used for the number of disadvantaged adults (age 22 to 72, excluding college students not in the workforce and military), rather than the number of disadvantaged youth. Since the total amount available for the Adult Activities program for states in PY 2018 is below the required $960 million threshold specified in WIOA sec. 132(b)(1)(B)(iv)(IV), as was also the case in PY 2017, the WIOA additional minimum provisions (See Attachment B) are not applicable. Instead, as required by WIOA, the minimums of 90 percent of the prior year allotment percentage and 0.25 percent state minimum floor apply. As noted above, this is the same methodology to set a floor on the annual variation in allotments as has been applied almost continuously for more than two decades, under both JTPA and WIA. Like for the Youth program, WIOA also provides that no state may receive an allotment that is more than 130 percent of the previous year allotment percentage for the state.

B. PY 2018 Funding WIOA Agreement/Notice of Award (NOAs). For PY 2018, Congress appropriated funds for this program in two portions: $133,556,000 is available for obligation on July 1, 2018 (PY 2018), and $712,000,000 is available for obligation on October 1, 2018 (FY 2019). After reductions associated with evaluations and program

integrity, the amount available for Adult Activities on July 1, 2018 (PY 2018) is $133,556,000, and on October 1, 2018 is $708,974,000. The Department prorated allotments to states and outlying areas based on these total amounts and will issue two NOAs (subject to the state submitting an approved State Plan under secs. 102 or 103 of WIOA). The first NOA covers the period starting July 1, 2018, under the PY 2018 WIOA grant agreement, and the other for October 1, 2018, also under the PY 2018 WIOA grant agreement (see Attachment F).

C. Sub-State Allocations. States must distribute WIOA Adult Activities funds for PY 2018 allotments among local workforce areas (subject to reservation of the 15 percent limitation for statewide employment and training activities) in accordance with the provisions in WIOA section 133 and the approved State Plan. States must calculate the up to 15 percent available for statewide activities on the total allotment for PY 2018.

In allocating WIOA Adult funds to local areas for PY 2018, states may use either the allocation formula described in WIOA sec. 133(b)(2)(A) or the discretionary allocation formula in WIOA sec. 133(b)(3). Also, states must ensure the state policy articulated in the approved State Plan remains consistent with this guidance. **See Attachments C-1 and C-2** for a description of sub-state allocation formulas.

1. Allocation Formula. Thirty-three and 1/3 percent of the total funds available for local allocations are allocated based on each local area's relative share of each data factor listed below.

    a. The relative number of unemployed individuals in ASUs in each local area, compared to the total number of unemployed individuals in ASUs in all local areas in the state. For this factor, the timeframe for comparison is the 12-month period, July 2016 to June 2017.

    b. The relative excess number of unemployed individuals in each local area, compared to the total excess number of unemployed individuals in all local areas in the state. See the definition of "excess number" below which requires a comparison of the excess unemployed in ASUs with excess unemployed in all areas. For this factor, the timeframe for comparison is the 12-month period, July 2016 to June 2017.

    c. The relative number of disadvantaged adults (age 22 to 72, excluding college students not in the workforce and military) in each local area, compared to the total number of disadvantaged adults in all local areas in the state. The Census Bureau collected the data used in the special tabulations for disadvantaged adults between January 1, 2011 and December 31, 2015.

For purposes of identifying ASUs for the Adult Activities sub-state allocation formula, states should use data made available by BLS (as described in LAUS Technical Memorandum No. S-17-18).

The term "excess number" means, used with respect to the excess number of unemployed individuals within a local area, the higher of (i) the number that represents the number of unemployed individuals in excess of 4.5 percent of the civilian labor force in the local area; or (ii) the number that represents the number of unemployed individuals in excess of 4.5 percent of the civilian labor force in ASUs in such local area.

For purposes of determining the number of disadvantaged adults for the sub-state Adult formula, states must use the special tabulations of ACS data available at https://www.doleta.gov/budget/disadvantagedYouthAdults.cfm. ETA obtained updated data for use in PY 2018. See TEGL No. 14-17 for further information.

States must utilize a minimum percentage (or stop loss) to ensure that no local area receives an allocation percentage that is less than 90 percent of the average allocation percentage of the local area for the previous two years. An allocation percentage is the local area's share or percentage of funds allocated to all local areas. States must **not** use 90 percent of the average *amount* allocated to the local area for the last two years. States must obtain amounts necessary to increase allocations to local areas to comply with the minimum percentage requirement by proportionately reducing the allocations to be made to other local areas.

States must not use a maximum percentage (or stop gain).

In accordance with sec. 182(e) of WIOA, states must make sub-state allocations available to local areas not later than 30 days after the date funds are made available to the state, or 7 days after the date the local plan for the area is approved, whichever is later.

2. Discretionary Formula. Alternatively, a state may use a discretionary formula. When using a discretionary formula, a state distributes a portion that is at least 70 percent of the funds according to the allocation formula described in subparagraph 5.C.1. of this TEGL and the remainder on the basis of a formula that incorporates additional factors related to:

    a. excess poverty in urban, rural, and suburban areas, **and**

    b. excess unemployment above the state average in urban, rural, and suburban local areas.

Of the portion of funds distributed according to the allocation formula described in subparagraph 1, a state must not assign unequal percentages to the ASU, excess unemployment, and disadvantaged data factors. These three data factors carry equal weights and must not total less than 70 percent of the formula.

Of the remainder, states may determine the percentage to allocate to data factors reflecting excess poverty and excess unemployment above the state average.

States also have flexibility in choosing the data they want to use related to poverty and excess unemployment above the state average. States **may not** reuse the allocation formula data factors (ASU, excess unemployment, and disadvantaged adults) to distribute the remainder. Using data factors not directly describing poverty or excess unemployment may be acceptable, but the state must articulate how such factors relate to the statutory requirements in the State Plan.

The discretionary formula must also employ a minimum percentage, as described in subparagraph 1 on the allocation formula. The minimum percentage may be applied to the 70 percent (or greater) portion or to the entire allocation.

The State Board must develop the discretionary formula, and the Secretary must approve it as part of the State Plan.

D. Transfers of Funds.

1. WIOA sec. 133(b)(4) provides the authority for local workforce areas, with approval of the Governor, to transfer up to 100 percent of the Adult Activities funds for expenditure for on Dislocated Worker Activities, and up to 100 percent of Dislocated Worker Activities funds for expenditure on Adult Activities.

2. Section 20802 of Pub L. 115-123 expanded transfer authority for states and local workforce areas affected by Hurricanes Harvey, Irma, and Maria to include Youth activities. Subject to approval by the Governor, in such states (including Puerto Rico) affected by these hurricanes, a local board in a local area affected by these hurricanes may transfer up to 100 percent of the funds allocated to the local area for Program Years 2016 and 2017 for Youth, Adult or Dislocated Worker employment and training activities among youth, adult, and dislocated worker activities. For the transfer authority to apply, one of these named hurricanes must have affected both the state and the particular local area.

3. United States Virgin Islands - Except for the funds reserved to carry out required statewide activities, the Governor of the United States Virgin Islands may authorize the transfer of up to 100 percent of the remaining funds provided to the United States Virgin Islands for Program Years 2016 and 2017 for Youth, Adult, or Dislocated Worker activities among youth, adult, and dislocated worker activities.

4. All other states and local workforce areas do not have the authority to transfer funds to or from the Youth Activities program.

E. Re-allotment of Funds. WIOA sec. 132(c) requires the Secretary of Labor to recapture and reallot Adult Activities program formula funds based on state obligation levels at the end of the first program year of use (ETA reallots in accordance with 20 CFR 683.135).

PY 2017 funds are only available for Federal obligation until the end of the program year, and so the Secretary does not have authority to re-obligate PY 2017 funds after the first program year. Therefore, any re-allotment of funds requires the use of PY 2018 funds.

In other words, re-allotment of PY 2018 funds is based on obligation levels of PY 2017 funds at the end of PY 2017.

1. The obligation threshold a State must meet to avoid recapture under WIOA sec. 132(c)(2) is 80 percent. The term obligation is defined at 2 CFR 200.71. The funds that a state allocates to a local area are state obligations. WIOA requires states to allocate at least 85 percent of Adult Activities funds to local areas. Therefore, by making the required local allocations, the state has obligated more than 80 percent of its PY 2017 funds and no further action is required regarding re-allotment of PY 2018 funds.

2. States report aggregate allocations to the local areas on the Local Adult ETA 9130 (D) financial reports, along with obligations by local areas of those funds.

6. <u>State Dislocated Worker Employment and Training Funds: Title I-- Chapter 3- Adult and Dislocated Worker Employment and Training Activities</u>

The amount appropriated for Dislocated Worker Activities in PY 2018 totals $1,261,719,000. The total appropriation includes formula funds for the states, while the National Reserve is used for National Dislocated Worker Grants, technical assistance and training, demonstration projects, and the outlying areas' Dislocated Worker allotments. After reducing the appropriated amount by $1,325,000 for evaluations and $3,180,000 for program integrity, a total of $1,257,214,000 remains available for Dislocated Worker Activities. The amount available for outlying areas is $3,143,035, leaving $216,865,965 for the National Reserve and a total of $1,037,205,000 available for states.

A. <u>State Allotments</u>. Attachment G shows the PY 2018 Dislocated Worker Activities allotments and a state-by-state comparison of the PY 2018 allotments to PY 2017 allotments.

WIOA prescribes different data factors for the federal allotment of Dislocated Worker funds by the Department to the states, and for the sub-state allocation of Dislocated Worker funds by the Governor within a state. The Department has allotted the PY 2018 Dislocated Worker program state allotments among the states in accordance with the factors required by WIOA. For reference, the three data factors that the Department considers in allocating these funds to the states are:

1. The relative number of unemployed individuals in each state, compared to the total excess number of unemployed individuals in all states. For this factor, the timeframe for comparison is the 12-month period, October 2016 through September 2017.

2. The relative excess number of individuals in each state, compared to the total excess number of unemployed individuals in all states. For this factor, the timeframe for comparison is the 12-month period, October 2016 through September 2017. No comparison to ASU excess is performed for this data factor.

3. The relative number of individuals in each state who have been unemployed for 15 weeks or more, compared to the total number of individuals in all states who have been unemployed for 15 weeks or more. For this factor, the timeframe for comparison is the 12-month period, October 2016 through September 2017.

WIOA sec. 132(b)(2)(B)(iii)(I) requires the Dislocated Worker formula to adopt a 90 percent minimum of the prior year allotment percentage. WIOA also provides that no state may receive an allotment that is more than 130 percent of the allotment percentage for the state for the previous year under section 132(b)(2)(B)(iii)(II).

B. PY 2018 Funding WIOA Agreement/NOAs. For PY 2018, Congress appropriated funds for this program in two portions for both formula funds and National Reserve funds. For state formula funds, $180,860,000 is available for obligation on July 1, 2018 (PY 2018), and $860,000,000 is available for obligation on October 1, 2018 (FY 2019). For the National Reserve, which includes funds for the outlying areas, $20,859,000 is available for obligation on July 1, 2018 (PY 2018), and $200,000,000 is available for obligation on October 1, 2018 (FY 2019). After reductions associated with evaluations and program integrity the amount available for state formula funds on July 1, 2018 is $180,860,000 and on October 1, 2018 is $856,345,000. For the National Reserve, the amount available on July 1, 2018 is reduced to $20,859,000 and on October 1, 2018 is $199,150,000. Allotments to states and outlying areas are prorated based on the two amounts for formula funds and National Reserve, respectively. ETA will issue allotments in two NOAs (subject to the state submitting an approved State Plan under sections 102 or 103 of WIOA): one for July 1, 2018, under the PY 2018 WIOA grant agreement, and the other for October 1, 2018, also under the PY 2018 WIOA grant agreement (see Attachment H).

C. Sub-State Allocations. States will distribute Dislocated Worker Activities funds for PY 2018 among local workforce areas (subject to the Governor's reservation of up to 25 percent for statewide Rapid Response activities under WIOA sec. 133(a)(2) and the 15 percent limitation for statewide employment and training activities), in accordance with

the provisions in WIOA section 133 and the approved State Plan. States must calculate up to 15 percent for statewide activities on the total allotment for PY 2018.

In allocating WIOA Dislocated Worker funds to local areas for PY 2018, States must ensure the State policy articulated in the approved State Plan remains consistent with this guidance. See Attachment C-1 for a description of sub-state allocation formulas.

Governors continue to prescribe the Dislocated Worker formula for sub-state allocations.

Under WIOA, the data factors that must be included have not changed from those under WIA, and are:

- insured unemployment data,
- unemployment concentrations,
- plant closing and mass layoff data,
- declining industries data,
- farmer-rancher economic hardship data, and
- long-term unemployment data.

A State may assign zero weight to a factor only where the state is able to demonstrate it does not have an appropriate data source to accurately reflect state needs for a given data factor. For example, the Bureau of Labor Statistics no longer produces the plant closing and mass layoff data, one of the six data factors WIOA requires. We recognize that an accurate source of such data is no longer available at the national level. Some states have sub-state administrative data available and others do not. In order to assign a weight of zero to a data factor, such as the plant closing and mass layoff data factor, the state must include the following information in their State Plan:

- An inventory of available national or state-level data sources germane to the data factor;
- A discussion of why the available data sources are inadequate for the purposes of assigning a weight to a given data factor; and
- A description of how the Governor's formula is appropriate to distribute funds equitably throughout the state.

(Note that weighting a data factor at zero percent <u>is not</u> allowable under any other circumstance.)

WIOA requires the use of a minimum percentage (or stop loss) (see WIOA sec. 133(b)(2)(B)(iii)). A local workforce area must receive an **allocation percentage that is no less than 90 percent** of the average allocation percentage of the local area for the two preceding years. In the event of a shortage of funds, states must obtain the amounts necessary to increase the allocations to local areas to comply with this provision by proportionately reducing the allocations to other local areas. The minimum percentage methodology states use for Dislocated Worker funds is the same minimum percentage methodology used in the sub-state Youth and Adult allocation formulas. States are not required to use a maximum percentage (or stop gain), but may use one if desired.

D. Transfers of Funds. See 5.D. above.

E. Re-allotment of Funds. WIOA sec. 132(c) requires the Secretary of Labor to recapture and reallot Dislocated Worker program formula funds based on State obligation levels at the end of the first program year of use (ETA reallots in accordance with 20 CFR 683.135. PY 2017 funds are only available for Federal obligation until the end of the program year, and so the Secretary does not have authority to re-obligate PY 2017 funds after the first program year. Therefore, any re-allotment of funds requires the use of PY 2018 funds. In other words, the Department will reallot PY 2018 Dislocated Worker formula funds among states during PY 2018 based on state obligations of PY 2017 funds made during PY 2017.

1. WIOA sec. 134(a)(2)(A)(ii) gives States the flexibility to use PY 2017 Rapid Response funds that are not obligated by the end of PY 2017 for statewide activities. Per WIOA sec. 132(c), states must still obligate 80 percent of their PY 2017 Dislocated Worker program formula funds, which includes Rapid Response funds, by June 30, 2018 or potentially have PY 2018 funds recaptured and re-allotted to states who have obligated 80 percent of their PY 2017 funds.

2. The term obligation is defined at 2 CFR 200.71. The funds a state allocates to local areas are state obligations. States report aggregate allocations to the local areas on the Local Dislocated Worker ETA 9130 (F) financial reports, along with obligations by local areas of those funds.

7. Wagner-Peyser ES Final Allotments. The appropriated level for PY 2018 for grants for the ES programs totals was $666,413,000. After reducing the appropriation by $833,000 for evaluations and $1,999,000 for program integrity, $663,581,000 is available for the ES programs. After determining the funding for Guam and the United States Virgin Islands, ETA calculates allotments to states using the formula set forth at section 6 of the Wagner-Peyser Act (29 U.S.C. 49e). ETA based PY 2018 formula allotments on each state's share of calendar year 2017 monthly averages of the Civilian Labor Force (CLF) and unemployment. The distribution of Wagner-Peyser Act funds for PY 2018 includes $661,963,420 for states, as well as $1,617,580 for Guam and the United States Virgin Islands. Attachment I shows the distribution of PY 2018 ES formula amounts by state compared to PY 2017.

Section 7(a) of the Wagner-Peyser Act (49 U.S.C. § 49f(a)) authorizes states to use 90 percent of the funds allotted to a State for labor exchange services, and other career services such as job search and placement services to job seekers; appropriate recruitment services for employers; program evaluations; developing and providing labor market and occupational information; developing management information systems; and administering the work test for unemployment insurance claimants.

Section 7(b) of the Wagner-Peyser Act (49 U.S.C. § 49f(b)), states that 10 percent of the funds allotted to a state must be reserved for use by the Governor to provide performance incentives for public employment service offices and programs, provide services for groups

with special needs, and provide for the extra costs of exemplary models for delivering services of the type described in section 7(a) and models for enhancing professional development and career advancement opportunities of state agency staff.

8. **Workforce Information Grants (WIGs).** Total funds for PY 2018 are $32,000,000. After reducing the total by $96,000 for program integrity, $31,904,000 is available for Workforce Information Grants. Funds are distributed to states by administrative formula with $176,570 for Guam and the United States Virgin Islands. Guam and the United States Virgin Islands allotment amounts are partially based on CLF data from the BLS Current Population Study. The remaining funds are distributed to the states with 40 percent distributed equally to all States, and 60 percent distributed based on each State's share of the CLF for the 12 months ending September 2017. Attachment J contains the allotment amounts.

9. **Submission Requirements.** In order to achieve greater efficiency and as part of ETA's ongoing effort to streamline the mandatory grant award process, all States and outlying areas are required to submit an electronically signed copy of an SF- 424, Application for Federal Assistance, through Grants.gov for **each** WIOA funding stream under Funding Opportunity Numbers (henceforth, in sections 9 through 11 of this TEGL, references to "states" shall be read to include outlying areas):

   - **ETA-TEGL-PY-YOUTH-2018** [CFDA 17.259]
   - **ETA-TEGL-PY-FY-ADULT-2018** [CFDA 17.258]
   - **ETA-TEGL-PY-FY-DW-2018** [CFDA 17.278]

   An electronically submitted SF-424 through Grants.gov constitutes an official signed document and must reflect the amount for **each** WIOA funding stream (Youth, Adult, and Dislocated Worker). The closing date for receipt of **each** SF-424 is **June 8, 2018**.

   The PY 2018 "base" allotment of WIOA Adult and Dislocated Worker funds will be awarded during the period of availability beginning July 2018. The FY 2019 "advance" allotment will be awarded in the period of availability starting October 2018. ***A copy of the executed PY 2018 WIOA Agreement will be available upon award of funds***.

   All states must submit an electronically signed SF-424, Application for Federal Assistance, through Grants.gov for **each** ES funding program under Funding Opportunity Numbers:

   - **ETA-TEGL-ES-2018** [CFDA 17.207]
   - **ETA-TEGL-WIG-2018** [CFDA 17.207]

   Note that WIGs have specific grant deliverable requirements not outlined in this document. A forthcoming TEGL will list these grant deliverable requirements. States must follow the instructions in this TEGL to receive WIGs funding, including submission of SF-424s.

   An electronically submitted SF-424 through Grants.gov constitutes an official signed document and must reflect the amount for **each** ES program (Wagner-Peyser ES Program and

Workforce Information Grants). The closing date for receipt of **each** ES program SF-424 is **July 13, 2018**. ETA will award the Wagner-Peyser Employment Service Program and Workforce Information Grant funds in July 2018. ***A copy of the executed PY 2018 ES Agreement will be available upon award of funds***.

10. Grants.gov Submission Process. States must submit the SF-424, Application for Federal Assistance, through Grants.gov. States needing to register with Grants.gov may do so here: https://www.grants.gov/web/grants/grantors/grantor-registration.html. Registration is a one-time process, and States that already have a Grants.gov account do not need to register again.

To submit the required SF-424s, States must:

a) Select the *SEARCH GRANTS* tab on the Grants.gov homepage.
b) Under the section, *BASIC SEARCH CRITERIA*, States enter the Funding Opportunity Number referenced above in Section 9 for each WIOA funding stream (i.e. "ETA-TEGL-PY-YOUTH-18").
c) Select the link to the applicable Opportunity Number provided in the search results.
d) Select the *PACKAGE* tab.
e) Under the *ACTIONS* column, select *APPLY*.

Submitting the SF-424 through Grants.gov constitutes an electronically signed SF-424, Application for Federal Assistance. For each funding stream, the Estimated Funding section of the SF-424 (item #18) must reflect the exact amount of the designated state allotment, referenced in the attachments to this TEGL. Additionally, Item #11of the SF-424 must include the Catalog of Federal Domestic Assistance Number (CFDA) for the applicable WIOA funding stream, which is referenced above in Section 9.

This submission process can be complicated and time-consuming. As such, the Department strongly encourages states to initiate the process as soon as possible, in order to allow time to resolve unanticipated technical problems.

Submission requirements stipulate that all applicants for Federal grant and funding opportunities must have a Data Universal Numbering System (D-U-N-S®) number, and must supply their D-U-N-S® number on the SF-424.

Before submitting, states must also ensure its registration with the System for Award Management (SAM) is current. (SAM replaced the Central Contractor Registry.) States can find instructions for registering with SAM at https://www.sam.gov. An awardee must maintain an active SAM registration with current information at all times during which it has an active Federal award or an application under consideration. To remain registered in the SAM database after the initial registration, states must review and update the registration at least every 12 months from the date of initial registration. Failure to register with SAM and maintain an active account will result in Grants.gov rejecting your submission.

For technical issues encountered during application submission, states may call 800-518-4726 or 606-545-5035 to speak to a Customer Support Representative, or email support@grants.gov. The Contact Center is open 24 hours a day, seven days a week, but closes on federal holidays.

States should e-mail all submission questions to Tammy Edwards, Grants Management Specialist, at Edwards.Tammy.A@dol.gov. The email must reference the specific Funding Opportunity Number, and include a contact name, email address, and phone number.

11. Reporting. For the WIOA formula programs, states are required to submit the seven designated WIOA quarterly financial status reports covering funds received for each of the programs (including separate reports for each of the fund year periods for the Adult and Dislocated Worker Activities programs, July 1 funds and October 1 funds). These seven WIOA quarterly financial reports cover financial data for statewide Youth, statewide Adult, statewide Dislocated Worker, statewide Rapid Response (Dislocated Worker activities), local Youth, local Adult, and local Dislocated Worker activities. The Department also requires states to submit the designated financial reports each quarter for the Wagner-Peyser Act funds and the Workforce Information Grant funds.

In addition to the reporting requirements listed above, United States Virgin Islands and states and local workforce areas affected by Hurricanes Harvey, Irma, and Maria must report expenditures of funds transferred between PY 2016 and PY 2017 WIOA Youth, Adult, and Dislocated Worker programs. Grantees already report expenditures resulting from funds transferred between Adult and Dislocated Worker programs on field 11.c of the corresponding ETA-9130 report. Report all other expenditures resulting from funds transferred between Youth and other program funds in data field "12. Remarks" section of the corresponding ETA-9130 Report. For example, if Youth funds are expended on adult or dislocated worker program activities, the state must report such expenditures and which program they were expended on in field 12 of the Local Youth - ETA-9130 (B) report. Likewise if Adult funds are expended on local Youth activities, the state must report such expenditures and which program they were expended on in field 12 of the Local Adult – ETA-9130(D) report, because 11.c of that report can only be used to report expenditure of Adult funds on dislocated worker activities.

See additional guidance and instructions in TEGL No. 2-16, Revised ETA-9130 Financial Report, Instructions, and Additional Guidance, at the following link: https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5156.

12. Inquiries. Questions regarding these allotments may be directed to the appropriate Regional Office. Information on allotments and planning requirements may also be found on the ETA Web site at http://www.doleta.gov.

13. <u>Attachments</u>.

A. Program Year 2018 Funding

B. WIOA and Wagner-Peyser Statutory Formula Descriptions for State Allotments

C. WIOA Statutory and Discretionary Formulas for Sub-State Allocations

D. WIOA Youth Activities Allotments,
PY 2018 vs PY 2017

E. WIOA Adult Activities Allotments,
PY 2018 vs PY 2017

F. WIOA Adult Activities PY 2018 Allotments,
July 1 and October 1 Funding

G. WIOA Dislocated Worker Activities Allotments,
PY 2018 vs. PY 2017

H. WIOA Dislocated Worker Activities PY 2018 Allotments,
July 1 and October 1 Funding

I. Employment Service (Wagner-Peyser) Allotments,
PY 2018 vs PY 2017

J. Workforce Information Grants Allotments,
PY 2018 vs PY 2017