

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WOTC
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ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 06-23, CHANGE 2

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE ADMINISTRATORS
WORK OPPORTUNITY TAX CREDIT COORDINATORS

FROM: JOSÉ JAVIER RODRÍGUEZ /s/
Assistant Secretary

SUBJECT: Change 2 to Training and Employment Guidance Letter No. 06-23, *Work Opportunity Tax Credit (WOTC) Initial Funding Allotments for Fiscal Year 2024*

1. **Purpose.** This Change 2 to Training and Employment Guidance Letter (TEGL) No. 06-23 conveys the remaining balance for Fiscal Year (FY) 2024 WOTC funding allotments and explains application requirements for State Workforce Agencies (SWAs) based on appropriated funding. Additionally, this Change 2 TEGL announces 13 states selected to receive additional FY 2024 backlog award funding and provides instructions to those states on how to proceed. The rest of TEGL No. 06-23 remains the same.
2. **Action Requested.** Grantees must meet the application requirements detailed in section 4 within 30 calendar days from the date of this TEGL issuance.
3. **Summary and Background.**
 - a. Summary – On November 14, 2023, the Employment and Training Administration (ETA) issued TEGL No. 06-23, which announced the initial FY 2024 WOTC funding allotments of \$2,423,384 under the Continuing Appropriations Act, 2024 and Other Extensions Act (Pub. L. 118-15). The continuing resolution (CR) allowed for incremental grant funding for states’ administration of the WOTC, pro-rated based on the CR’s end date of November 17, 2023. On January 5, 2024, ETA issued a Change 1 to TEGL 06-23, which announced an additional \$3,889,243 available for FY 2024 WOTC funding allotments under a second continuing resolution (CR2) through February 2, 2024, under the Further Continuing Appropriations and Other Extensions Act, 2024 (Pub. L. 118-22).

On January 19, 2024, the President signed the Further Additional Continuing Appropriations and Other Extensions Act, 2024 (Pub. L. 118-35), providing a third CR (CR3) through March 8, 2024, and providing additional WOTC funding in the

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amount of \$1,767,166. On March 1, 2024, the Extension of Continuing Appropriations and Other Matters Act, 2024 became law (Pub. L. 118-40), providing a fourth CR (CR4) through March 22, 2024, and additional WOTC funding in the amount of \$707,976. On March 23, 2024, the Further Consolidated Appropriations Act, 2024 (Pub. L. 118-47), was signed into law, authorizing the full-year FY 2024 appropriations. ETA has available grant funds totaling \$18,485,000 for normal FY 2024 operations. This Change 2 TEGL announces the full-year appropriation and availability of the remaining balance to the states in the amount of \$12,172,373, which includes \$2,475,142 in combined CR3 and CR4 funding. The state allotment amounts are listed in Attachment I, “*Work Opportunity Tax Credit Fiscal Year 2024 State Allotments and Balance after Dissemination to States under Continuing Resolution 1 through 2.*” ETA requests that SWAs submit applications for funding as allotted in Attachment I to this TEGL.

The Further Consolidated Appropriations Act, 2024 authorized an additional \$2,500,000 in funding to support states’ efforts in adopting and/or modernizing information technology for processing certification requests and reduce WOTC processing backlogs.¹ This Change 2 TEGL announces the 13 states selected to receive a FY 2024 backlog award, and their respective award amounts, as detailed in Section 4.

- b. Background – The WOTC is set forth under section 51 of the Internal Revenue Code of 1986, as amended (26 U.S.C. § 51), and is effective until December 31, 2025, under the Consolidated Appropriations Act, 2021 (Pub. L. 116-260), Division EE, Title 1, Section 113. The U.S. Department of the Treasury, through the Internal Revenue Service (IRS), administers all tax-related provisions and requirements of the tax credit. The U.S. Department of Labor, through ETA, awards grants to states for administration of WOTC.

- 4. **Details.** States must enter their state-specific allotment amount from the “Balance to States” column provided in Attachment I on their SF-424 Form, *Application for Federal Assistance* (OMB Control No. 4040-004), as their official request for remaining FY 2024 funding. All states must submit an electronically signed copy of the SF-424 through Grants.gov. States selected for FY 2024 WOTC Backlog Award funding must enter the state-specific award amount listed in Section 4 of this TEGL on a **separate** SF-424 Form.

Allotment Formula. ETA revised the administrative formula used to calculate states’ annual allotments for normal WOTC operations, effective for FY 2024 allotments. The revised formula changes are detailed below and include an inflation-adjusted increase to minimum state funding allotments, as well as revised metrics used in the formula methodology. Under the revised formula, state allotments are based on each state’s relative share of total certifications issued from the most recently completed fiscal year; each state’s relative share of total denials issued for the most recently completed fiscal year; and each state’s relative share of the Civilian Labor Force averages for the preceding fiscal year. The

¹ See also S. Rep. No. 118-84, at 19 (2023), <https://www.congress.gov/118/crpt/srpt84/CRPT-118srpt84.pdf>.

formula will no longer consider each state's relative share of adult recipients of Temporary Assistance for Needy Families (TANF) for the 12-month period from the second preceding fiscal year. The revised formula was first published in the *Federal Register* in February 2023 ([88 FR 10540](#)).

While under a CR for FY 2024 appropriations, incremental allotments to states were based on the prior fiscal year's formula and allotment percentage. ETA determined CR1 and CR2 WOTC state allotment amounts for FY 2024 by calculating each state's relative share of full-year FY 2023 funding, and multiplying each state's relative share by the total FY 2024 CR prorated funding amounts, through November 17, 2023 and February 2, 2024, respectively. Once Congress passed the full-year FY 2024 appropriation, ETA determined FY 2024 state allotments for normal WOTC operations ('balance after dissemination to states under CR1 and CR2'), according to the following methodology:

After allocating \$36,000 to the U.S. Virgin Islands, ETA distributes the remaining funds to the SWAs by administrative formula with a \$119,000 minimum allotment, and a 95 percent stop-loss/120 percent stop-gain from the previous year allotment percentage for all states. Note: In an effort to phase in the increased minimum allotment, which also impacts other states' allotments, ETA used the stop-gain provision to gradually increase the minimum funding allotment amount to reach the \$119,000 minimum by FY 2026. The minimum state allotment increased to \$79,131 in FY 2024, which represents a 20 percent share increase from the FY 2023 minimum of \$66,000 and will continue to increase by 20 percent each fiscal year to reach the \$119,000 minimum by FY 2026.

ETA calculates the administrative formula as follows:

- a. 40 percent is based on each state's relative share of total WOTC certifications issued from October 1, 2022, through September 30, 2023;
- b. 40 percent is based on each state's relative share of total WOTC denials issued from October 1, 2022, through September 30, 2023; and
- c. 20 percent is based on each state's relative share of Civilian Labor Force averages for the 12-month period from October 1, 2022, through September 30, 2023.

Application Requirements for FY 2024 Funding. ETA requires grantees to submit an electronically signed copy of the SF-424 Form, *Application for Federal Assistance* (OMB Control No. 4040-0004), as their official request for funding within 30 calendar days from the issuance date of this TEGl at <https://www.grants.gov>. For the remaining balances funding, the opportunity number is 'ETA-WOTC-TEGL-06-23-C2,' and for backlog awards funding, the opportunity number is 'ETA-WOTC-TEGL-06-23-C2-BACKLOG.'

The official, electronically signed SF-424 Form should be marked as a "Continuation" application for item #2 and must reflect the state balance amount listed in Attachment I as the state's requested estimated funding total in item #18. Grantees must enter the Catalog of Federal Domestic Assistance Number '17.271' for item #11, and the grantee's 12-character

Unique Entity Identifier (UEI number) should be listed for item #8c. Each applicant must have a UEI number available, and it must be registered in the System for Award Management at [SAM.gov](https://sam.gov) before submitting an SF-424 application.

Grantees previously indicated the estimated amount of Indirect Costs to be claimed by the recipient for FY 2024 expenditures under the SF-424 Form submitted for the CR1 funding distribution announced in TEG L No. 06-23. Therefore, grantees should NOT resubmit this information again in item #15, 'Descriptive Title of Applicant's Project,' as part of this SF-424 application request for remaining balances funding.

All States must submit an electronically signed copy of the SF-424 through [Grants.gov](https://grants.gov). To submit the required documents, applicants must follow the "Apply for Grants" link on [Grants.gov](https://grants.gov) and download the links for the grant application package. For this grant opportunity, applicants should not follow the "Find Grants" link, as this is not a competitive funding opportunity. If applicants encounter a problem with [Grants.gov](https://grants.gov) and do not find an answer in any of the other available resources, they should call 1-800-518-4726 or 1-606-545-5035 to speak to a Customer Support Representative or send an email to support@grants.gov.

Award Descriptions. As part of a Federal government-wide effort to describe grant activities consistently and accurately, ETA uses standard grant award descriptions. States may see the following text in the grant awards or online descriptions of WOTC grants:

- **Purpose:** The purpose of this grant is to allow SWAs to administer the WOTC program per ETA guidance and provisions of the IRS Code of 1986, Section 51, as amended. Law designates the SWAs as the only agencies that can issue a Certification (26 U.S.C. § 51(d)(12)). The statute refers to SWAs as state employment security agencies, established in accordance with the Wagner-Peyser Act, 29 U.S.C. § 49 et seq.
- **Activities to be performed:** SWAs must use funds to implement the requirements set forth in the *WOTC Statement of Work*, including to: Designate a state coordinator who oversees the administration of WOTC for each state grant; Determine eligibility of individuals as members of targeted groups on a timely basis, and issue employer certifications, denials, or notices of invalidation for tax credits on a timely basis, and in accordance with the policies and procedures set forth by ETA; and Establish and maintain appropriate forms' quality review processes, record keeping, and reporting capability related to the orderly management of WOTC certification requests.
- **Expected Outcomes:** For WOTC grants, SWAs will issue determinations (certifications or denials) for employers' certification requests, which facilitate tax credits determined by the U.S. Department of the Treasury. SWAs will increase efficiency in processing employers' certification requests and develop plans that include an estimated timeline to eliminate existing backlogs of certification requests.
- **Intended Beneficiaries:** Job seekers who have access to a higher number of employment opportunities, and employers who seek to increase hiring of qualified job applicants. Other beneficiaries include state and local partner agencies in the American Job Center network that coordinate efforts to promote WOTC to

employers, job seekers, and other Workforce Innovation and Opportunity Act (WIOA) partners.

- **Subrecipient Activities:** SWAs, as WOTC grant recipients, do not typically subaward funds. States that wish to subaward funds should seek approval from their ETA Grant Officer.

General Administration. With their FY 2024 grant award, SWAs are responsible for conducting the WOTC activities outlined in the *WOTC Statement of Work*. (See Attachment II of TEGL 06-23, *Work Opportunity Tax Credit (WOTC) Initial Funding Allotments for Fiscal Year 2024*, available here: <https://www.dol.gov/agencies/eta/advisories/tegl-06-23>).

FY 2024 WOTC Backlog Awards. ETA intends to distribute WOTC backlog awards to 13 states with the most critical needs for adopting or modernizing information technology for processing of certification requests, and/or assistance in alleviating processing backlogs. To inform the selection process, ETA analyzed the following data:

- a. FY 2023 backlog total and percentage ratio it represents of the state's total workload;
- b. FY 2023 and FY 2022 financial reports; and
- c. Qualitative data based on states' and/or regional coordinators' narratives, which explain how the states would use this award to make improvements to their existing systems or procedures and reduce their backlog, and/or how states have used prior backlog awards to make improvements to their systems/reduce processing backlog.

ETA carefully reviewed these three sources of data to gain an understanding of the states' needs and any contributing factors that led to the states' existing backlog. Note: ETA did not consider states that received backlog awards in FY 2023, nor FY 2022 backlog award grantees who received a no-cost, period of performance extension to their grant project, due to the overlapping modified grant end date (09/30/2024). ETA analyzed FY 2022 and FY 2023 financial reports to determine a state's ability to use additional funding and did not select states with extraordinarily low expenditure rates to receive additional backlog funds. Finally, ETA reviewed the narratives that states submitted which confirmed states' backlogs and information technology modernization needs. The selected states expressed interest in additional backlog funding to help them attain staff support, enhance/replace their current partially automated systems, and/or develop automated systems to more efficiently process certification requests. Based on these factors, ETA identified 13 states with the most critical need to address system modernization issues and/or existing backlog to receive additional funding. Based on the availability of \$2,500,000 in funds, ETA established three funding tiers to distribute these awards:

- Tier 1 = \$100,000
- Tier 2 = \$200,000
- Tier 3 = \$300,000

The selected states and corresponding funding amounts for these awards are as follows:

\$100,000	\$200,000	\$300,000
Massachusetts	Arizona	Georgia
Maryland	Arkansas	New Mexico
South Carolina	Louisiana	Oklahoma
U.S. Virgin Islands	Michigan	
	South Dakota	
	Utah	

Note: If a state fails to submit the required application materials timely, or decides to refuse the award, ETA reserves the right to either redistribute such funds to the other selected states and/or consider additional state(s) for an award, as appropriate.

Reporting Requirements.

- a) **Quarterly Financial Report** – SWAs must report fiscal expenditures quarterly using ETA Form 9130. Financial reports are due no later than 45 days following the end of each quarter. Timely submission of these reports is important to ensure proper accounting of funds.
- b) **Quarterly Performance Report** – SWAs must use the web-based Enterprise Business Support System (EBSS) Tax Credit Reporting System to report quarterly activities and outcomes using ETA Form 9058. Performance reports are due no later than 45 days following the end of each quarter. Timely submission of these reports is important for administration purposes.

5. **Inquiries.** Please direct inquiries to the appropriate Regional WOTC Coordinator listed on the WOTC website at <https://www.dol.gov/agencies/eta/wotc/contact/regional-offices>.

6. **References.**

- Section 51 of the Internal Revenue Code of 1986, as amended (26 U.S.C. § 51) (<https://uscode.house.gov/view.xhtml?path=/prelim@title26/subtitleA/chapter1/subchapterA/part4/subpartF&edition=prelim>);
- Chapter 4B of Title 29 of the United States Code (Labor) (<https://uscode.house.gov/view.xhtml?path=/prelim@title29/chapter4B&edition=prelim>);
- Pub. L. 116-260, Consolidated Appropriations Act, 2021, which authorizes WOTC (<https://www.congress.gov/116/plaws/publ260/PLAW-116publ260.pdf>);
- Pub. L. 118-15, Continuing Appropriations Act, 2024 and Other Extensions Act (<https://www.congress.gov/118/plaws/publ15/PLAW-118publ15.pdf>);
- Pub. L. 118-22, Further Continuing Appropriations and Other Extensions Act, 2024 (<https://www.congress.gov/118/plaws/publ22/PLAW-118publ22.pdf>);
- Pub. L. 118-35, Further Additional Continuing Appropriations and Other Extensions Act, 2024 (<https://www.congress.gov/118/plaws/publ35/PLAW-118publ35.pdf>);
- Pub. L. 118-40, Extension of Continuing Appropriations and Other Matters Act, 2024 (<https://www.congress.gov/118/plaws/publ40/PLAW-118publ40.pdf>);

- Pub. L. 118-47, Further Consolidated Appropriations Act, 2024 (<https://www.congress.gov/118/bills/hr2882/BILLS-118hr2882enr.pdf>);
- Senate Report 118-84 (<https://www.congress.gov/118/crpt/srpt84/CRPT-118srpt84.pdf>);
- Training and Employment Guidance Letter No. 06-23, *Work Opportunity Tax Credit (WOTC) Initial Funding Allotments for Fiscal Year 2024*, and Attachments (<https://www.dol.gov/agencies/eta/advisories/tegl-06-23>); and
- Federal Register (88 FR 10540): [Work Opportunity Tax Credit, Request for Comments Regarding Proposed Modifications to Procedural Guidance and Administrative Formula.](#)

7. **Attachment(s).**

- Attachment I: Work Opportunity Tax Credit Fiscal Year 2024 State Allotments and Balance after Dissemination to States under Continuing Resolution (CR) 1 through 2