

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. 4-08

TO: STATE WORKFORCE AGENCIES
 STATE WORKFORCE LIAISONS
 STATE TRADE COORDINATORS

FROM: BRENT R. ORRELL /s/
 Deputy Assistant Secretary

SUBJECT: Fiscal Year (FY) 2009 State Base Allocations and the Process for Requesting
 Additional Trade Adjustment Assistance (TAA) Program Reserve Funds

- Purpose.** To provide states with the formula methodology used in developing the Fiscal Year (FY) 2009 base allocations and to describe the process for requesting additional TAA program reserve funds for training, job search and relocation allowances.
- 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) 6-03 "Fiscal Year (FY) 2004 State Planning Estimates and Process for Requesting Additional Trade Adjustment Assistance (TAA) Funds for Training and Administration," dated October 1, 2003 and TEGL 2-04 "Trade Adjustment Assistance (TAA) Program Reserve Funds," dated July 14, 2004.
- 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, TEGL 6-03. 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 TAA-certified workers.

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

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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.** Pending TAA reauthorization legislation and/or FY 2009 appropriation legislation, the attached base allocations assume the TAA program training cap will remain at \$220 million. Should the TAA program appropriation amount change as a result of reauthorization, or be reduced as a result of a continuing resolution in lieu of reauthorization or a regular appropriation, the base allocations will be adjusted using the same methodology used to formulate the attached allocations which are equal to 75 percent, or \$165 million, of \$220 million. 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, should the funding levels remain the same, will be 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 (OMB Approval Number 3076-0006) 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 2009 Fund Allocation Process.** For FY 2009, the formula is the same as the formula established by TEGL 6-03 -- 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 assumed \$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 2006, FY 2007 and the first two quarters of FY 2008 on the ETA-9130, U.S. DOL ETA Financial Report (OMB Approval Number 1205-0464) and successor to the SF-269, Financial Status Report, (OMB Approval Number 1205-0461), (i.e., the sum of each state's accrued expenditures for training for FY 2006, FY 2007 and the first two quarters of FY 2008, 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 2006, FY 2007 and the first two quarters of FY 2008 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 2006, FY 2007 and the first two quarters of FY 2008, 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 2009 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 2008.
- 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 – will be designated for 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 2009 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 2009 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 allocations for each state are also included in the attachment.

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. **Hold Harmless.** In the report entitled, "Trade Adjustment Assistance: Changes to Funding Allocation and Eligibility Requirements Could Enhance States' Ability to Provide Benefits and Services" released in May 2007, the Government Accountability Office (GAO) found that "a particular problem with Labor's allocation process is the hold harmless policy, which guarantees that each state receives no less than 85 percent of what it received in the previous year." ETA acknowledges that it may be time to reevaluate this policy, which was intended to minimize significant fluctuations in state funding from prior years. ETA did not act to change the hold harmless policy for the FY 2009 base allocations, due to the fact that pending legislation reauthorizing the TAA program dealt directly with the factors included in the formula. If legislation that specifically addresses the factors included in the formula is not enacted during FY 2009, ETA will consider revising or eliminating the hold harmless policy for the FY 2010 base allocations.
7. **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 the ETA-9130. 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, ETA-9130, and the Trade Act Participant Report (TAPR) (OMB Approval 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. 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.
8. **Action Required.** States should ensure that all trade and workforce investment program staff are informed and knowledgeable of this funding methodology.
9. **Inquiries.** States should direct all inquiries to the appropriate ETA regional office.
10. **Attachment.** FY 2009 State Base Allocations and Administrative Allotments.