

TRAINING AND EMPLOYMENT NOTICE	NO. 27-12
	DATE March 20, 2013

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE LIAISONS

FROM: Jane Oates /s/
Assistant Secretary

SUBJECT: Fiscal Year (FY) 2013 Projected Allotments Based on Updated Data Factors and Application of Reductions Required by the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended, for the Workforce Investment Act (WIA) Adult, Dislocated Worker, and Youth Activities Programs, Wagner Peyser Act Employment Service Program (ES), and Workforce Information Grants to States.

1. **Purpose.** To assist states in their annual budget planning in the absence of a Fiscal Year (FY) 2013 full year appropriation, this Training and Employment Notice (TEN) provides states and outlying areas with advance notification of the potential impacts of applying current demographic and employment data on the allotment formulas for the WIA Adult, Dislocated Worker and Youth Activities Programs; ES; and the Workforce Information Grants to States. The attached planning projections also reflect the reductions to FY 2013 discretionary funds required by the BBEDCA, more commonly referred to as “sequestration.”

The estimates provided in this TEN are based on the most current data factors and projections for the full year funding levels during FY 2013. However, as of this date a full-year FY 2013 appropriations bill has not been enacted, so the amounts are subject to change. This notice is intended solely for planning and informational purposes, and is not a formal notification of allotment levels.

2. **References.**

- Department of Labor Appropriations Act, 2012, Titles I, III, and V of Division F of the Consolidated Appropriation Act, 2012, Public Law (P.L.) 112-74
- Continuing Appropriations Resolution, 2013, P.L. 112-175
- Workforce Investment Act of 1998, as amended (codified at 29 United States Code (U.S.C) 2801, et seq.)
- Wagner-Peyser Act, as amended (codified at 29 U.S.C. 49, et seq.)

- Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended by the Budget Control Act of 2011, P.L. 112-25
- Training and Employment Guidance Letter (TEGL) 10-09, *Implementing Priority of Service for Veterans and Eligible Spouses in all Qualified Job Training Programs Funded in whole or in part by the U.S. Department of Labor*

3. **Background.** Sequestration is a set of automatic, largely across-the-board spending reductions. In August 2011, as part of the Budget Control Act, which amended BBEDCA, bipartisan majorities in both the House of Representatives and Senate voted for sequestration as a mechanism to compel the Congress to act on deficit reduction. A year and a half has passed, and the Congress has not enacted balanced deficit reduction legislation that avoids sequestration.

Due to the failure to reach a deal on balanced deficit reduction to avoid sequestration, the President on March 1 was required by law to issue a sequestration order canceling approximately \$85 billion in budgetary resources across the Federal Government for the remainder of the Federal fiscal year. Both defense and non-defense programs are subject to reductions under sequestration unless exempted by law.

The WIA and Wagner-Peyser formula grants are not exempt and therefore subject to sequestration. The sequestration order requires a 5.0 percent reduction in non-exempt FY 2013 nondefense discretionary funding, which includes the WIA and Wagner-Peyser formula grants.

4. **Planning Elements and Considerations.**

WIA Dislocated Worker and Adult Programs. These programs are funded on a July- to-June program year (PY) basis (i.e., Program Year 2013 is the one-year period beginning July 1, 2013 and ending on June 30, 2014). This means that the WIA Dislocated Worker and Adult program year overlaps two Federal fiscal years – the program year begins on July 1 and covers the last three months of one fiscal year (which began the previous October), and the program year continues from October through June of the following fiscal year. The appropriations acts fund the WIA Adult and Dislocated Worker programs in two separate appropriations. The first becomes available for obligation on July 1; this portion is commonly referred to as the “base” funds. The second becomes available for obligation on October 1; this portion is commonly referred to as “advance” funds. They are called “advance funds” because they are provided in the appropriations act passed during the fiscal year preceding when the funds are available. For example, PY 2013 advance funds that are made available on October 1, 2013 are funds appropriated during FY 2013, but they are not made available until FY 2014 (for the portion of PY 2013 that occurs during October – June of FY 2014).

The sequestration requires that agencies reduce non-exempt FY 2013 non-defense discretionary funding by 5.0 percent. Due to the funding structure of the WIA Adult and Dislocated Worker formula programs, ETA may apply the sequestration reduction to PY 2012 advance funds (FY 2013 funding that was made available October 1, 2012) and to the PY 2013 base funds (funding available July 1, 2013 from the FY 2013 appropriation).

However, ETA has chosen to apply the sequestration amount entirely to the PY 2013 base funds so that the funding previously provided for activities for PY 2012 would not be impacted by sequestration.

WIA Youth Program. Funding for the WIA Youth Program is distributed through a single appropriation that has generally been available on April 1, and therefore, ETA must apply the full reduction under the FY 2013 sequestration to the appropriation projected to be made available beginning April 1, 2013. ETA will attempt to make funding available to the states as close to April 1st as possible; however, its ability to do so will depend on Congressional action. Congress has not yet passed a full-year 2013 appropriations bill, and the current continuing resolution expires on March 27, 2013. ETA recognizes that these uncertainties and potential delays in funding availability create planning challenges specific to WIA Youth activities. This notice is intended to assist the workforce system to respond appropriately as resources are made available.

Wagner-Peyser Grants. The Wagner-Peyser ES grants and the Wagner-Peyser workforce information grants are also funded on a July-to-June PY basis. Funding for these activities is made available under a single appropriation that becomes available July 1. Projected sequestration reductions for the ES grants to states are included in the attached charts. Because Congress appropriates funds for a combination of workforce information grants, electronic tools and capacity building as a single activity rather than as separate programs, projects, and activities, the Department has flexibility in determining how to implement the sequestration, and has chosen to maintain the PY 2012 level of funds for workforce information grants. The attached charts display anticipated funding levels for these grants.

General Issues. In addition to sequestration, state allotments under the formulas will be impacted by the normal fluctuations in the economic and other data factors used to perform the formula allotment calculations. In FY 2013, this will include updated economically disadvantaged data used in the WIA Adult and Youth formulas. ETA will publish separate guidance related to the updated economically disadvantaged data factors. To provide the workforce system with the best possible projections, the attached charts incorporate all new data factors and provide projections reflecting two hypothetical scenarios: 1) funding at the sequestration level and 2) funding at a Continuing Resolution level, which is based primarily on the enacted FY 2012 budget and also assumes a small across the board funding increase.

ETA recognizes that sequestration places unique challenges on the workforce system, especially during the first quarter of PY 2013 in which base funds will be significantly reduced for the WIA Adult and Dislocated Worker programs. ETA strongly urges states to begin planning based on the projections provided in this TEN. As part of the planning process, ETA reminds states and local areas to be mindful of the following planning elements and activities:

- States should analyze the levels of previous year funding (carry-over) that may be available during PY 2013.
- States should review schedules for statewide administrative as well as oversight and monitoring activities and, keeping in mind statutory and regulatory requirements,

make any necessary adjustments to reflect reduced funding availability during the first quarter of PY 2013.

- States must meet quarterly financial and performance reporting requirements in accordance with the WIA statute and regulations.
- During periods of limited funding availability, the WIA Adult program has a statutory requirement to provide priority for intensive and training services to recipients for public assistance and other low-income individuals (WIA section 134(d)(4)(E); 20 CFR 663.600).
- Priority of Service for veterans as described in TEGl 10-09 remains an active requirement for job training programs funded in whole or in part by the U.S. Department of Labor.
- Requirements for Unemployment Insurance (UI) claimants to register with the state's ES, to search for work as a condition of UI eligibility, and to provide reemployment services to Emergency Unemployment Insurance claimants continue.
- ETA has determined that the services provided to the cohort of program exiters used for calculating PY 2013 performance outcomes will have received services prior to sequestration being implemented. Therefore, there should be little to no impact on PY 2013 performance outcomes. Subsequent guidance will be issued as needed to address concerns with future performance under reduced funding levels.

The above is not an exhaustive list of planning elements but does highlight several key areas that should be considered during PY 2013 planning.

5. **Action Requested.** States are requested to begin planning based on the attached projections and information.

The final FY 2013 funding levels and the impact of sequestration are both subject to change pending additional legislative activity. When final Department of Labor FY 2013 appropriations are enacted, ETA will revise the attached tables and issue formal allotment information in a TEGl.

6. **Inquiries.** Questions regarding this TEN may be directed to the appropriate Regional Office.

7. **Attachments.**

- A. WIA and Wagner-Peyser Statutory Formulas for State Allotments
- B. WIA Dislocated Worker Activities Hypothetical PY 2013 Allotments at 5 Percent Sequestration Level
- C. WIA Dislocated Worker Activities Hypothetical PY 2013 Allotments at PY 2012 Funding Level
- D. WIA Dislocated Worker Activities State Allotments Comparison of PY 2012 Actual with Two PY 2012 Hypothetical Options
- E. WIA Adult Activities Hypothetical PY 2013 State Allotment at 5 Percent Sequestration Level
- F. WIA Adult Activities Hypothetical PY 2013 Allotments at PY 2012 Funding Level
- G. WIA Adult Activities State Allotments Comparison of PY 2012 Actual with Two PY 2012 Hypothetical Options

- H. WIA Youth Activities State Allotments Comparison of PY 2012 Actual with Two PY 2012 Hypothetical Options
- I. Employment Service (Wagner-Peyser) State Allotments Comparison of PY 2012 Actual with Two PY 2012 Hypothetical Options
- J. Workforce Information Grants to States Comparison of PY 2012 Actual with Two PY 2012 Hypothetical Options