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DEOBLIGATION AND REALLOCATION OF WORKFORCE INVESTMENT ACT (WIA) FUNDS

OF INTEREST TO:

The State Workforce Development Board, All Regional Workforce Development Boards (RWDBs), One-Stop Center Operators and Partners, Workforce and Employment Opportunities State and Local Offices, and Other entities engaged in implementing programs under Title I of the Workforce Investment Act of 1998.

SUBJECT:

The deobligation and reallocation of Workforce Investment Act Funds.

PURPOSE:

To define and describe the procedures for deobligating and reallocating WIA funds for programs serving youth, adults, and dislocated workers under WIA, Sections 128, 133, and CFR 20, Sections 667.107 and 667.160, Workforce Investment Act Interim Final Rule.

BACKGROUND AND UNDERLYING STATE AND FEDERAL POLICY:

The Florida State Workforce Investment Act Five-Year Plan, Modification Two dated 11/19/99, provides for the development of reallocation procedures relative to WIA funds as required in the cites listed above. Specifically, the plan states:

"The WIA requires local (regional) boards to obligate 80% of their funds annually, providing the Governor the authority to reallocate unobligated balances in excess of 20% in instances where areas fail to meet this requirement. The state plans to revise its current reallocation policy to reflect WIA requirements in order to continue to provide the Governor the capability to redistribute funds based on need."

At its March 30th Executive Committee Teleconference, the State Board approved Action Item #2, the "Revision of the State's Policy for Deobligation and Reallocation of Program Funds."

Additionally, the WIA, Interim Final Rule at §667.107(b) states:

"Funds allocated by a State to a local area under WIA . . . for any program year are available for expenditure only during that program year and the succeeding program year. Funds which are not expended by a local area in the two-year period . . . must be returned to the State. Funds so returned are available for expenditure by State and local recipients and subrecipients only during the third program year of availability. These funds may:

- (1) Be used for Statewide projects, or

- (2) Be distributed to other local areas which had fully expended their allocation of funds for the same program year within the two-year period."

The basis for an understanding of the deobligation and reallocation process under the WIA is to realize that each program year's funds will be reviewed twice to determine if there are funds available for deobligation. Each program year's funds will be reviewed;

1. At the end of the program year; and
2. At the end of the following program year.

Each review, for the purpose of identifying funds available for reallocation, will have different criteria. The review of a program year's funds that occurs at the end of that program year is based on unobligated funds. The review of the same program year's funds that occurs at the end of the subsequent program year is based on expenditures. Note that although WIA funds have a 3 year total life, local formula allocations must be spent within 2 years and the remaining funds must be reallocated and spent in the third year at the state-level or in the regions to which those funds have been reallocated.

Deobligation of WIA Funds

The deobligation and reallocation of WIA funds will take effect Program Year (PY) 2001 based on obligations for PY 2000. RWDBs must obligate at least 80% of each program year's youth, adult and dislocated worker WIA formula grant program funds in order to avoid having unobligated funds reallocated. Obligation is defined at OMB Circular A-110, Subpart A (t) as ". . . the amounts of orders placed, contracts and grants awarded, services received and similar transactions during a given period that require payment by the recipient during the same or a future period." RWDBs will be allowed to carryover from one program year to the following program year only 20% of unobligated funds.

Unobligated funds do not include any amount, up to 10% of the total program year's allocation, reserved for administration costs. Additionally, incentive grants, National Reserve Account Grants, and 15% projects are not included in the deobligation calculation. The deobligation amount will be determined separately for each funding stream (youth, adult, dislocated worker) as adjusted for allowable transfer of funds between the funding streams. These deobligated funds will be reallocated to those RWDBs that have obligated at least 80% of the program year's funds.

Additionally, any remaining program year's funds that are not fully expended by the end of the following program year, will also be deobligated and returned to the State. These deobligated funds will be either reallocated to those RWDBs that have fully expended the same program year's funds, or will be used in Statewide projects. It is important that RWDBs understand they have only two years in which to fully spend each program year's funds or the unexpended amount will be returned to the State.

A notice of intent to deobligate funds will be issued to each RWDB that has not:

1. Obligated at least 80% of each program year's funds by the end of that program year; and
2. Expended all funds for each program year by the end of the following program year.

The determination to deobligate will be made using the year-end Financial Report Summary. Any additional WIA funds awarded to a RWDB during the program year and made a part of their formula allocation will be included in this calculation. The notices of intent to deobligate will be issued during the first quarter of the following program year. RWDBs will have a period of 30 calendar days from the date of the notice of intent to deobligate to protest the deobligation. All protests must be submitted in writing to the State Workforce Development Board and must be received no later than 30 calendar days after the date of the notice to deobligate.

Protests received will be considered and acted upon within 60 calendar days of the notice to deobligate. The Notices of Fund Availability (NFAs) reflecting the deobligation of the funds will be issued no later than 90 calendar days after the date of the notice of intent to deobligate.

RWDBs may request voluntary deobligation of funds at any time. A written request to voluntarily deobligate funds must be submitted to the State Workforce Development Board. Funds available due to a voluntary deobligation will be reallocated to other RWDBs based on the approved method used to allocate formula funds.

Reallocation of WIA Funds

RWDBs that have obligated at least 80% of their funds by the end of the program year, will be eligible for the reallocation of unobligated funds. Additionally, RWDBs that have expended by the end of the following program year all the previous program year's funds, will be also eligible for the reallocation of available deobligated youth, adult and dislocated worker funds.

A RWDB's eligibility to receive a reallocation must be separately determined for each funding stream. Unexpended funds that are reallocated are available for expenditure only during the third and final year of the life of a program year's funds. Available deobligated funds will be reallocated to eligible RWDBs based on the approved method used to allocate their regular formula funds. The NFAs reflecting the reallocation of available funds will be issued within 90 calendar days from the date of the notice of intent to deobligate.

RWDBs that do not wish to receive any reallocation funds must notify the State Workforce Development Board within 30 calendar days after the date of the notice of intent to reallocate. Reallocated funds that are not accepted by a RWDB will either be reallocated to other eligible RWDBs or held at the State level for special projects.

***EXAMPLE #1:** The following is an example of how the deobligation of funds will occur if a RWDB does not obligate at least 80% of a program year's funds by the end of that program year:*

STEP 1: Year 1 (e.g. PY 2000) allocation (including any additional funds awarded): \$500,000

STEP 2: Less the amount reserved for administration costs (up to 10%) 50,000

STEP 3: Amount allocated for program costs = \$450,000

STEP 4: Unobligated balance at end of Year 1 \$135,000

STEP 5: 20% carryover of unobligated balance - 90,000

STEP 6: Unobligated balance in excess of carryover = \$ 45,000

STEP 7: Year 2 formula allocation \$500,000

STEP 8: Minus Year 1 unobligated balance to be returned to State 45,000

STEP 9: Adjusted formula allocation for Year 2 = \$455,000

***EXAMPLE #2:** The following is an example of how a RWDB's program year's funds will be deobligated if the funds are not expended by the end of the following program year:*

Step 1: Year 1 allocation (e.g. PY 2000) \$500,000

Step 2: Year 1 total expended funds at the end of Year 2 (e.g. PY 2001-2002) 400,000

Step 3: Year 1 total unexpended funds at the end of Year 2 = \$100,000

Step 4: Amount deobligated and returned to the State = \$100,000

SUPERSESSION

This Consultation Paper supersedes Division Policy JTPA-98-103 dated December 14, 1998.

AUTHORITY

WIA Sections 128(b), 133(b), 128(c) and 133(c) and 20 CFR 667.107 and 667.160