

TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: FUNDS UTILIZATION REQUIREMENTS FOR WIOA FUNDS

SUBJECT MATTER HIGHLIGHTS

PLEASE NOTE

This draft directive will replace Directive WIAD01-10, dated February 1, 2002.

The changes made to this directive include updating references and language to reflect WIOA.

COMMENTS DUE

September 25, 2015

Comments can be submitted through one of the following ways:

Fax	WSD, Attention: Michael Garcia at 916- 654-9119
E-Mail	Michael.Garcia@edd.ca.gov (Include "draft comments" in the subject line)
Mail	WSD / P.O. Box 826880 / MIC 50 / Sacramento, CA 94280-0001

All comments received by the end of the comment period will be considered before the final directive is issued. The Workforce Services Branch does not respond individually to each comment received. However, a summary of comments will be released with the final directive. **Comments received after the specified due date will not be considered.**

If you have any questions, contact Michael Garcia at (916) 654-8060.

WORKFORCE SERVICES
DRAFT DIRECTIVE

Number: WSDD-126

Date: September 14, 2015
69:125:mg:17618

TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: FUNDS UTILIZATION REQUIREMENTS FOR WIOA FUNDS

EXECUTIVE SUMMARY

Purpose

The Employment Development Department (EDD) is issuing state policy and procedures for the recapture and reallocation of underobligated *Workforce Innovation and Opportunity Act* (WIOA) Title I formula funds.

Scope

Funds utilization requirements are applicable to adult, youth, and dislocated worker funds allocated by formula to Local Workforce Development Areas (Local Areas). The funds utilization requirement does not apply to Rapid Response 25 percent funds or projects funded using the Governor's discretionary funds.

Effective Date

This directive is effective on the date of issuance.

REFERENCES

- WIOA Sections 127(c) and 132(c)
- WIOA Sections 128(c) and 133(c)
- *Code of Federal Regulations*, Title 20 (20 CFR) Sections 651.10 and 683.140

STATE-IMPOSED REQUIREMENTS

This policy contains state-imposed requirements. These requirements are in ***bold italic*** type.

The EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities.

FILING INSTRUCTIONS

This directive replaces WIAD 01-10, dated February 1, 2002.

BACKGROUND

On July 22, 2014, President Obama signed the WIOA, which replaced the *Workforce Investment Act (WIA)*. On an annual basis, federal funds are provided to the Department of Labor, which is the designated agency for administering the WIOA program. The Secretary of Labor allocates these funds to the states and, as required by law, has implemented the 80 percent obligation rate requirement for each of the states. On receipt of funds, the Governor of California allocates them to the Local Areas by formula. In accordance with the WIOA, the Governor has the option to establish an 80 percent obligation rate requirement on formula funds provided to each Local Area.

POLICY AND PROCEDURES

It is the responsibility of each Local Area to ensure that funds are obligated appropriately at the level set by the state. The EDD will work with the Local Areas on a case-by-case basis to assist them in resolving any problems with obligation of funds.

Recapture Provisions, Title I – Youth, Adult, and Dislocated Worker

The Local Areas are required to obligate at least 80 percent of their program dollars after the first program year for which they were allotted. The determination about whether the Local Areas have obligated 80 percent of funds will occur after the first quarter of each program year.

A sample calculation is as follows:

- \$100,000 Allocation
- (\$10,000) Administration Reserve of 10 percent
- \$90,000 Remaining to obligate

$\$90,000 \times .80 = \$72,000$ (required obligation amount).

Obligations means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.

For these programs, an allocation to a Local Area includes the following:

- The initial allocation for that program year.

- Any increase or decrease to the initial allocation. This includes any funds transferred to or from another fund source, (e.g., from adult to dislocated worker). Therefore, if the allocation is increased or decreased, the 80 percent factor adjusts accordingly.

Funds utilization analysis will be based on first quarter expenditure reports due to the EDD by October 20, for each program year. If the filing date for first quarter reports is missed, then calculations will be based on the latest financial information available to EDD as of October 20 each year. Any unobligated funds that exceed 20 percent of the prior year's program allocation are considered excess and may be recaptured/returned to the state by means of reduction, via unilateral subgrant modification, to the prior program year's allocation. For example, excess unobligated PY 2014-15 funds would be deobligated from the PY 2014-15 allocation. ***Recapture/reallocation will be calculated for funds allocated for PY 2014-15, based on financial reports submitted to EDD as of October 20, 2015, for the period ending September 30, 2015. Funds utilization will be computed separately for each funding stream.***

Reallocation

To be eligible to receive youth, adult, or dislocated worker funds under the reallocation procedures, a Local Area must meet the 80 percent minimum obligation requirement. A Local Areas eligibility to receive a reallocation must be separately determined for each funding stream. An equitable share amount based on the original allocation percentage will be used to reallocate funds. Each Local Area will be given the opportunity to accept or decline the reallocated funds.

Effect of Recapture/Reallocation on Administrative Funds

Based on direction from the Department of Labor, the loss of a portion of a Local Areas allocation to recapture does not result in the loss of administrative funds available to the Local Area. Conversely, the acceptance of a reallocation of recaptured funds does not result in an increase of the administrative funds available to the Local Area. Cost compliance of administrative limits is measured at the end of the two-year life of the funds.

ACTION

It is the Local Area's responsibility to establish, maintain and exercise ongoing controls to ensure compliance with these requirements.

INQUIRIES

Please direct questions regarding this directive to your assigned Regional Advisor.

/S/ JOSÉ LUIS MÁRQUEZ, Chief
Central Office Workforce Services Division