

MEMORANDUM

To: JCB & WCDC Board
From: Gina Wright
Date: March 21, 2013
RE: WIA Funding & Expenditure Requirements

The purpose of this report is to make the Boards aware of our upcoming WIA funding challenges.

At this point we have no definite answers, only possible scenarios. We do not yet know how much we will lose with sequestration or what our new allocation will be for July 1st. I just received the following response from DCEO, but they could offer very little information: "DOL is still determining the best course of action on implementing the sequestration cuts and information is forthcoming to be used for planning purposes. The official TEGE providing the allocations that include the sequestration is going to be issued at a later date. At issue is how to distribute the 5% cut." Five percent for our LWA would be approximately \$67,000 but the percentage could be different when the allocation formulas are applied to the local areas.

There is a possibility that we will not have enough WIA funding to last until October 1st when the new Federal Fiscal Year begins. Last year we came very close, but fortunately were able to keep our expenditures under the limit by spreading out our Training Accruals for the 1st semester over a 4-month Training Period. This year will be even more challenging because we will have fewer funds from this year to carry-forward into the new program year due to the sequestration. Typically our carry-forward provides a large portion of what we need to start up the new program year.

Each year we are required to spend at least 70% of our total WIA grant and obligate at least 80% by funding stream (not including Admin). With the sequestration coming so late in our program year, there was no way to ensure we could make these requirements without putting ourselves in jeopardy of running out of money for the first quarter of PY'13 should the sequestration become a reality. To manage all of our requirements this year, we definitely needed to have a crystal ball.

We could not enroll new clients last fall due to the expenditure limits through September 30th, but we were able to enroll 36 new clients since November. This helped to not only make our 70% & 80% expenditure requirements, but also get us closer to the 40% Training vs. Overhead requirement. We are on target to meet 40% Training in 1A but not 1D. This is the first year that our agency has not exceeded 40% Training expenditures. Attached is a portion of the WIA Policy Letter 07-PL-40, Change 1 that defines the requirement and lists possible consequences that could come into play if it is not met a second year. Our 1D percentage is higher due to the fact that we no longer receive funding for Trade Program overhead and that the state gives us very little overhead to operate 1E/Rapid Response and the DNR/Veterans programs. Excess costs from those programs must be paid from 1D. The Youth Program does not have a Training expenditure requirement.

This is not a Federal DOL requirement but we do not know yet how strict DCEO will remain with their policy. They could grant a waiver due to funding shortages or drop it completely, but so far have not budged. We must however, ensure that we do not end up in the situation of only receiving payments from DCEO on a reimbursement basis since we have no other funding source that could cover WIA costs up front.

3. Staff costs must be reasonable and necessary to the provision of training to these registrants, and documented via timesheets or other appropriate cost allocation methods.
4. Subcontracting the administration of a Title I program is not considered a training contract and thus these costs would not be considered for inclusion in the 40% training expenditure calculation.
5. Staff costs that are not included in the 40% training expenditure calculation may still be an allowable WIA activity.

C. Calculating the Expenditure Level

1. The calculation below determines whether the LWIA is meeting the 40% minimum training expenditure annually:

$$\begin{array}{r}
 \text{Training Program Costs Incurred (as defined in Section VI. A.)} \\
 \div \\
 \text{Total Program (training and non-training) Costs Incurred} \\
 = \\
 \text{Annual Training Program Expenditure}
 \end{array}$$

Below is an example of the calculation:

LWIA Example	Expenditures Reported Against Prior Year Carry-in	Current Year Expenditures	Total	% Expended
Training Expense	40,000.00	98,000.00	138,000.00	20.88%
Program Expense	65,000.00	458,000.00	523,000.00	79.12%
Total	105,000.00	556,000.00	661,000.00	100.00%

2. The total training expenditures incurred and total cost incurred for the program year are regardless of the program year charged. Other sources of training funds will not be included in the calculation.

D. Technical Assistance:

1. Technical assistance will be provided to those LWIAs that:
 - a. Fail to meet the required expenditure level in any year;
 - b. Wish to improve their ability to provide training services, including improvements in training provider selection for ITAs and use of non-ITA contracting mechanisms; or

- c. Need assistance on the use of non-ITA procurement methods, including quality control and management of class-size training contracts.

E. Incentives for Meeting the Required Expenditure Level

1. LWIAs that meet or exceed the 40% expenditure rate for both Adult and Dislocated Worker funding streams are eligible to receive an incentive award if:
 - a. Participants who completed a training program that was intended to lead to employment in a demand occupation; or
 - b. Participants who received employment in a high-demand occupation that resulted from the completion of a training program that was intended to lead to such employment in a demand occupation.
2. The total incentive available for meeting the required expenditure level is part of the annual performance incentive award and will be distributed in accordance with WIA Policy Letter No. 10-PL-62 Workforce Investment Act (WIA) Title I Incentives and Sanctions for Performance and subsequent changes.

F. Enforcement of the Required Expenditure Level

An LWIA that fails to meet the required training expenditure level will receive a sanction. These sanctions begin after full phase-in of the policy in PY 2009. Subsequent years of non-compliance have more significant sanction consequences, as indicated below:

Consequence of Failing:	When Applied:
WIA local incentive funds lost	Applied for the first and subsequent consecutive years failed
"High-risk" status placement	Applied for second and subsequent consecutive years failed

1. Any LWIA that fails to meet the 40% expenditure target will not receive any earned performance incentive bonus for that program year.
2. LWIAs may be placed on "high-risk" status for failure to meet the 40% expenditure.
 - a. Title 29 Part 97 Uniform Administrative Requirements for Grants and Cooperative Agreements defines "high-risk" grantees as one that an awarding agency has determined:

- 1) Has a history of unsatisfactory performance, or
 - 2) Is not financially stable, or
 - 3) Has a management system which does not meet the management standards set forth in this part, or
 - 4) Has not conformed to terms and conditions of previous awards, or
 - 5) Is otherwise not responsible; and if the awarding agency determines that an award will be made, special conditions and/or restrictions shall correspond to the "high-risk" condition and shall be included in the award.
- b. If a grantee or sub-grantee is placed on "high-risk" status, special conditions or restrictions may include:
- 1) Payment on a reimbursement basis;
 - 2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given funding period;
 - 3) Requiring additional, more detailed financial reports;
 - 4) Additional project monitoring;
 - 5) Requiring the grantee or sub-grantee to obtain technical or management assistance; or
 - 6) Establishing additional prior approvals.

VII. ACTION REQUIRED

Local workforce investment boards (LWIBs) must ensure compliance with the requirements in this policy letter to meet the 40% minimum training expenditure requirement.

VIII. INQUIRIES

Direct inquiries to Ray Parrack at 217/558-2420 or Ray.Parrack@illinois.gov.

IX. EFFECTIVE DATE

This policy is effective on release.