

ATTACHMENT R

OVERVIEW OF WIA TITLE I AND WAGNER-PEYSER FISCAL YEAR 2014 ALLOCATIONS

A. NATIONAL-TO-STATE WIA TITLE I AND WAGNER-PEYSER ALLOTMENTS

Massachusetts receives program funding allotments through the U.S. Department of Labor's Employment and Training Administration. In accordance with the Workforce Investment Act of 1998, the U.S. Department of Labor (DOL) posted a Federal Register Notice on May 15, 2013 announcing the WIA Title I and Wagner-Peyser allotments to the states for July 1, 2013 – June 30, 2014, the state Fiscal Year 2014 (also known as DOL Program Year 2013). Training and Employment Guidance Letter (TEGL) 25-12 issued on May 1, 2013 also contained the allotments and a description of the federal allotment process. The funds for Title I Adult, Youth, and Dislocated Worker, and Wagner-Peyser programs are distributed nationally as described below.

1. WIA Title I Adult:

- **The number of economically disadvantaged** residents, age 22 to 72 years (excluding college students not in the labor force and adults on active duty in the armed forces. A disadvantaged adult is an individual who received an income, or is a member of a family that received a total family income, that, in relation to family size, does not exceed the higher of the poverty line or 70% of the Lower Living Standard Income Level (LLSIL). DOL calculated this factor using special tabulations of data from the American Community Survey (ACS) produced by the Census Bureau. The data used in the special tabulations were collected between January 1, 2006 and December 31, 2010. Reference: Training and Employment Guidance Letter (TEGL) 21-12, March 26, 2013, *Updated Economically Disadvantaged Youth and Adult Data for use in Program Year (PY) 2013 and future Workforce Investment Act (WIA) Youth and Adult Within-State Allocation Formulas.*
- **The number of unemployed within "Areas of Substantial Unemployment"** in each state. ASUs are areas that have had an average unemployment rate of at least 6.5% for the most recent 12-month period. ASU areas can vary considerably in size. An ASU area can be as large as an entire state, if the statewide unemployment rate meets the qualifying threshold; it can be an entire workforce investment area, if the area as a whole qualifies; or, if the area-wide unemployment rate is below 6.5% but pockets of high unemployment exist within it, the ASU can be as small as a city/town, or even a neighborhood within a town, but in no case can it be an area with a population of less than 10,000 people. USDOL uses a July through June reference period to determine Areas of Substantial Unemployment based on local unemployment data prepared by the states since FY2007 using special 2000 Census data based on households, obtained under contract with the Census Bureau. For the FY2014 allotments, DOL used the reference period of FY2012, July 1, 2011 to June 30, 2012. Based on this data, Massachusetts, with a 6.8% unemployment rate for the period, met the criteria as an ASU. Thus, unemployment in the state and each workforce area qualify as unemployment within Areas of Substantial Unemployment (ASUs) in FY2012.
- **The number of "Excess Unemployed"** in each state, i.e., the number of unemployed *in excess of 4.5%* of the labor force in areas with greater than a 4.5% unemployment rate. USDOL calculates excess unemployment against the same July-to-June period that it uses for the "ASU" factor. DOL calculates the "Excess" factor against the entire state if the statewide unemployment rate exceeds 4.5% *or* against ASUs within the state if either the statewide rate is less than 4.5% or the ASU-based count will yield a higher number of "Excess Unemployed" than the statewide

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calculation. As the state was designated as an ASU, excess unemployed was determined for the state and each workforce area.

2. WIA Title I Youth

- **The number of economically disadvantaged** residents, age 16 to 21 years, excluding college students not in the labor force and youth on active duty in the armed forces. The same data source is used to determine the number of economically disadvantaged Youth as for Adults (see 1 above).
- **The number of unemployed within "Areas of Substantial Unemployment"** in each state. The same calculation of total unemployed is used for both Youth and Adult formulas (see 1 above).
- **The number of "Excess Unemployed"** in each state. The same calculation of total excess unemployed is used for both Youth and Adult formulas (see 1 above).

3. WIA Title I Dislocated Worker

- **The number of unemployed** residents in each state. USDOL calculates this factor using the averages for the 12-month period of October 2011 through September 2012.
- **The number of excess unemployed** residents in each state. The term "excess unemployed" means the number that represents unemployed individuals in excess of 4.5% of the civilian labor force in the state. USDOL calculates this factor using the averages for the 12-month period of October 2011 through September 2012.
- **The number of long-term unemployed** residents in each state. Long-term unemployed are individuals who have been unemployed for 15 weeks or more who reside in the state. USDOL calculates this factor using the averages for the 12-month period of October 2011 through September 2012.

4. Hold-Harmless

The three formula factors for the Adult and Youth programs are weighted equally, and each state's share (or proportional entitlement) of the national funding in each program area is the sum of its share of the national totals for each factor, divided by three. WIA requires minimum state allotments equal to 90% hold-harmless of the prior year allotment percentage as well as stop-gain maximum allotments of 130% of the prior year allotment percentage.

It is important to note that the Dislocated Worker allotment formula has neither "hold-harmless" nor "stop-gain" provisions. Thus, state allotments for WIA Dislocated Workers may show large gains or losses from the previous year due to changes in the relative shares of unemployed, excess unemployed and long-term unemployed.

5. Wagner-Peyser

Allotments to states are calculated using the formula set forth at Section 6 of the Wagner-Peyser Act (29 United States Code 49e). Under Section 7(b) of the Wagner-Peyser Act, ten percent (10%) of the state

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allotment is reserved for use by the governor to provide performance incentives, services for groups with special needs, and to support exemplary models for delivering job services. The formula is based on each state's share of calendar year 2012 (the 12-month period from January 1, 2012 to December 30, 2012) monthly averages of the civilian labor force (2/3 weight) and unemployment (1/3 weight).

B. STATE-TO-LOCAL WIA TITLE 1 AND WAGNER-PEYSER FORMULA ALLOCATIONS

1. WIA Title I Adult and Youth

States must distribute 95% of their state allotment (July 1, 2013-June 30, 2014) for Adult programs and for Youth activities to workforce investment areas based on the same three factors used in the national formula distribution.

Allocations to local areas for WIA Adult and Youth funds are based on the following factors.

- **Economically Disadvantaged Adults and Youth:** The data for economically disadvantaged adults and youth residing in local workforce investment areas is based on special tabulations of the American Community Survey (ACS) produced by the Census Bureau. Reference: Training and Employment Guidance Letter (TEGL) 21-12, March 26, 2013, *Updated Economically Disadvantaged Youth and Adult Data for use in Program Year (PY) 2013 and future Workforce Investment Act (WIA) Youth and Adult Within-State Allocation Formulas*. This factor is 1/3 of the formula-based share before hold-harmless levels are determined.
- **Unemployed Residents in Areas of Substantial Unemployment (ASUs):** The reference period is July 1, 2011 to June 30, 2012. The state met the criteria as an ASU. Thus, unemployment levels in the workforce areas qualify as unemployment within Areas of Substantial Unemployment (ASUs). The data used are the unadjusted unemployment levels from the reference period used for the state ASU determination. This factor is 1/3 of the formula-based share before hold-harmless levels are determined.
- **Unemployed Residents in Areas of Excess Unemployment:** The reference period for determining the number of residents in areas of excess unemployment is the same as that used for ASU determinations. All workforce areas met the 4.5% qualifying level of unemployment for designation as an area of "Excess Unemployment". This factor is 1/3 of the formula-based share before hold-harmless levels are determined.
- **Hold Harmless:** WIA requires minimum workforce area allotments for Adults and Youth to be not less than 90% of the average allocation percentage of the local area for the two (2) preceding fiscal years (hold-harmless level). The hold-harmless guarantees local areas receive 90% of their prior two-year average share of the state allotment if their formula-based share should fall below this level. WIA specifies that amounts necessary for raising local formula-based shares to comply with these requirements shall be obtained by ratably adjusting the shares of all other local areas. Thus, an area's final adjusted percentage share may be higher or lower than its unadjusted formula-based share before the hold-harmless provision is applied.

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2. WIA Title I Dislocated Worker

A Governor's reservation of twenty-five percent (25%) of the state's Dislocated Worker allotment is held for statewide rapid response activities.

States must distribute 70% of their allotment (July 1, 2013-June 30, 2014) for Dislocated Workers to local workforce investment areas according to the formula developed by each state to meet the requirements of WIA Section 133(b). It is not the same as the formula used in the national-to-state distribution. The Workforce Investment Act (WIA) provides general guidance on the categories of information that should be used in the formula, but does not prescribe the specific factors. The factors and weights used in the Dislocated Worker formula distribution were determined by a state level WIA Steering Committee established to implement the Workforce Investment Act in the Commonwealth. The six (6) factors are described below.

- **UI Claimants.** To meet the WIA category of insured unemployment data. Source: Statewide Survey of UI Claimants, Calendar Year 2012 monthly average. Weight: 20%.
- **Average Unemployment Rate.** To meet the WIA category of unemployment concentrations. Source: Local Area Unemployment Statistics, Calendar Year 2012 average. Weight: 25%.
- **Claimants in Mass Layoff Events.** To meet the WIA category of plant closing and mass layoff data. Source: Mass Layoff Statistics, Calendar Year 2012. Weight: 25%.
- **Industries with 3 Year Job Loss.** To meet the WIA category of declining industries. Source: ES-202 annual data, 2009-2011. Weight: 10%.
- **Long-Term Claimants.** To meet the WIA category of long-term unemployment data. Source: Statewide Survey of UI Claimants, average number with 15+ weeks in current spell, Calendar Year 2012. Weight: 10%.
- **UI Exhaustees.** To meet the WIA category of long-term unemployment data. Source: Statewide Survey of UI Claimants, benefit exhaustees, Calendar Year 2012. Weight: 10%.

3. Wagner-Peyser Employment Service Formula

Wagner-Peyser legislation does not mandate any specific formula distribution from state to local areas. However, state-to-local Wagner-Peyser allocations in the Commonwealth have by precedent been based largely on the federal-to-state formula. The state Wagner-Peyser allotment is divided into two parts: 90% funds and 10% funds. Massachusetts distributed 80% of the 90% Wagner-Peyser allotment to local areas based on a formula allocation described below.

- Two-thirds is based on the relative number of individuals in the civilian labor force in each area compared to the total number of such individuals in all sixteen workforce areas. The data used for FY 2014 allocations are the average number of residents in the labor force in each local area in Calendar Year 2012.
- One-third is based on the relative number of unemployed individuals in each area compared to the total number of such individuals in all sixteen workforce areas. The data used for FY 2014

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allocations are the average number of unemployed residents in each local area in Calendar Year 2012.

- Each area's FY2014 formula share must fall between a hold-harmless lower limit set at 90% of the local area's FY2013 formula share and a hold-harmless upper limit set at 110% of the local area's FY2013 formula share. Hold-harmless limits reduce wide year-to-year swings in an area's allocation. Amounts necessary for increasing or decreasing local formula-based shares to comply with this requirement are made by ratably adjusting the shares of all other local areas.

Massachusetts distributed the 10% Wagner-Peyser allotment as follows: 62% to local areas as incentive based on the formula distribution described above; and 38% for state oversight, staffing and technological improvements for service delivery.

Note: A summary of the formulas for allocating WIA and Wagner-Peyser funds to local workforce areas is provided at the end of this document.

C. US DEPARTMENT OF LABOR NOTICE OF OBLIGATION (NOO)

The funds for WIA Title I activities are appropriated by Congress in two portions. This has the following effects on the availability of funds to the state, to be issued by the U.S. Department of Labor (USDOL) through Notices of Obligation (NOOs) under the WIA Title I grant agreements.

The funds for the state allotments for Fiscal Year 2014 were announced in TEGL 25-12, issued May 1, 2013. These funds are impacted by several pieces of legislation. The state allotments reflect funds appropriated in Title I of Division F of the Consolidated and Further Continuing Appropriations Act, 2013, Pub. L. 113-6 that was signed into Law on March 26, 2013. This Act incorporated a mandatory across the board rescission of 0.2 percent impacting all Federal Fiscal (FY) 2013 (the period from October 1, 2012 through September 30, 2013) discretionary funding. This 0.2 percent rescission applied to state FY 2014 funding and to funds made available to states on October 1, 2012 for FY 2013 programs. Additionally, all Federal FY 2013 discretionary program funding is subject to a 5.0 percent reduction under the sequestration order required by 251A of the Balanced Budget and Emergency Deficit Control Act, as amended.

Both the rescission and sequestration reductions impacted state FY 2014 funding for WIA and Wagner-Peyser Act programs. In order to avoid rescinding funding already allocated to states, the U.S. Department of Labor applied the mandatory reductions to the state's first quarter FY 2014, July 1 through September 30, 2013. This placed a significant burden on the state and on local workforce areas as a result of the historically low funding levels available during the first quarter.

Note: All data on WIA and Wagner-Peyser allotments for Fiscal Year 2013 (federal Program Year 2012) provided in this document are based on information published in TEGL 25-12, issued May 1, 2013, and TEGL 25-27, issued May 10, 2013. WIA and Wagner-Peyser funding is subject to change during the fiscal year based on congressional action. This document will not be updated to reflect funding changes that may occur during the fiscal year. Please refer to Training and Employment Guidance Letters or other documents issued by the U.S. Department of Labor for any changes to funding during the fiscal year. Additional information may be found in state MassWorkforce Issuances available on massworkforce.org.

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1. WIA Title I Dislocated Worker:

Initial Allotments Issued May 1, 2013: Funds for the Dislocated Worker program become available in two portions, with approximately 9.3% of the funds available on July 1, 2013 and the balance available on October 1, 2013. Of the Massachusetts Dislocated Worker allotment of \$14,686,948, USDOL will issue an NOO in the amount of \$1,368,705 for July 1, 2013 and issue an NOO for the balance of \$13,318,243 for October 1, 2013.

Local Dislocated Worker program funds (\$10,280,864) will also be available in two stages. Of the total, 9.3% or \$958,094 is allocated for July 1, 2012, with the balance of \$9,322,770 allocated for October 1, 2013. These funds become available upon receipt of the NOOs from USDOL.

2. WIA Title I Adult:

Initial Allotments Issued May 1, 2013: Funds for the Adult program become available in two portions, with approximately 2.0% of the funds available on July 1, 2013 and the balance available on October 1, 2013. Of the Massachusetts Adult allotment of \$11,472,764, USDOL will issue an NOO in the amount of \$228,979 for July 1, 2013 and issue an NOO for the balance of \$11,243,785 for October 1, 2013.

Local Adult program funds (\$10,899,126) will also be available in two stages. Of the total, 2.0% or \$217,530 is allocated for July 1, 2012, with the balance of \$10,681,596 allocated for October 1, 2013. These funds become available upon receipt of the NOOs from USDOL.

3. WIA Title I Youth:

Initial Allotments Issued May 1, 2013: Congress appropriates all funds for the Youth program from the same federal fiscal year. The state's allotment of \$12,803,985 will be available from USDOL upon execution of the PY 2013 (state FY2014) WIA Annual Funding Agreement. *Youth funds available to local areas total \$12,163,786.*

D. LOCAL ADMINISTRATIVE COST POOL AND TRANSFERS

Of the amounts allocated to a local area, not more than 10% of each allocation may be used for the administrative costs of carrying out local workforce investment activities. Funds made available for administrative costs, however, may be used for the administrative costs of any of the local workforce investment activities, regardless of whether the funds were allocated under the Adult, Dislocated Worker, or Youth sections of the Act.

WIA provided the authority for local workforce investment areas to transfer up to 20% between the Adult and Dislocated Worker funding streams. Subsequent DOL Appropriations Acts have raised transfer limits to 30%, applicable for the life of the funds.

Massachusetts submitted a waiver request to increase the transfer authority from 30% to 50% as part of the five-year Massachusetts State Integrated Workforce Plan (FY2013 – 2017). The U.S. Dept. of Labor, Employment and Training Administration approved this waiver request, granting Massachusetts transfer authority of up to 50% for Adult and Dislocated Worker funds, effective July 1, 2012 through June 30, 2017.

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SUMMARY OF FORMULAS FOR STATE-TO-LOCAL WIA AND WAGNER-PEYSER ALLOCATIONS FOR LOCAL WORKFORCE AREAS

State allotments for Workforce Investment Act (WIA) Title I Youth, Adult, and Dislocated Worker Programs and Wagner-Peyser Act Employment Service programs are announced in the Federal Register and through a Training and Employment Guidance Letter (TEGL) issued by the U.S. Department of Labor, Employment and Training Administration (DOLETA). The WIA and ES program allotments to states and state-to-local allocations are based on formula provisions defined in WIA and in the Wagner-Peyser Act. Fiscal year awards are announced annually (usually in spring) and may be amended during the year. Funds are released upon execution of a Notice of Obligation (NOO) from the U.S. Department of Labor.

The Massachusetts Department of Career Services, on behalf of the Executive Office of Labor and Workforce Development (EOLWD), issues allocations for the 16 local workforce investment areas in Massachusetts. Local allocation levels are determined by statutory formula based on an area's relative share of the state on specific data factors as described below.

WIA Youth Activities

Formula

1/3: area relative share of total unemployed in areas of substantial unemployment (average 12 months ending 6/30)

1/3: area relative share of excess unemployed (average 12 months ending 6/30)

1/3: area relative share of economically disadvantaged youth (Census 2000)

Minimum: area allocation cannot be less than 90% of its average relative share for the prior two fiscal years

Maximum: none

WIA Adult Activities

Formula

1/3: area relative share of total unemployed in areas of substantial unemployment (average 12 months ending 6/30)

1/3: area relative share of excess unemployed (average 12 months ending 6/30)

1/3: area share of economically disadvantaged adults (Census 2000)

Minimum: area allocation cannot be less than 90% of its average relative share for the prior two fiscal years

Maximum: none

WIA Dislocated Workers

Formula

1/5: area relative share of total average unemployed for the most recent calendar year

1/4: area relative share of unemployment rate for the most recent calendar year

1/4: area relative share of UI claimants in mass layoffs for the most recent calendar year

1/10: area relative share of average job loss in declining industries for the most recent three calendar years

1/10: area relative share of total UI exhaustees for the most recent calendar year

1/10: area relative share of average number of long-term UI claimants for the most recent calendar year

Minimum: none

Maximum: none

Wagner-Peyser Employment Service

Formula

2/3: area relative share of the statewide civilian labor force for the most recent calendar year

1/3: area relative share of the statewide unemployment for the most recent calendar year

Minimum: area allocation cannot be less than 90% of its relative share for the prior fiscal year

Maximum: area allocation cannot be more than 110% of its relative share for the prior fiscal year