

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION TAA
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TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 6-03

TO: ALL STATE WORKFORCE AGENCIES
ALL STATE WORKFORCE LIAISONS

/s/

FROM: EMILY STOVER DeROCCO
Assistant Secretary

SUBJECT: Fiscal Year (FY) 2004 State Planning Estimates and Process
for Requesting Additional Trade Adjustment
Assistance (TAA) Funds for Training and Administration

1. Purpose. To provide states with the underlying formula for the TAA funds disbursement process and FY 2004 planning estimates and to describe the process for requesting additional TAA funds for training and administration.

2. References. The Trade Act of 1974, as amended; the Governor-Secretary Agreement; OMB Circular A-87; 20 CFR Part 617, as amended; 29 CFR Parts 96, 97, 98, and 99; General Administration Letter No. 4-89, Change 1, dated June 15, 1989, Training and Employment Guidance Letter No. 17-00, Change 1, dated July 3, 2003.

3. Background. The Employment and Training Administration (ETA) has historically used a grant request process for disbursing TAA training funds. This process has proved to be inefficient, lengthy and cumbersome, making it difficult for states to plan and manage resources for training trade affected workers. As a result, ETA undertook a comprehensive review of its funds disbursement process for TAA. The review indicated that many states did not have a full understanding of the process. This often made it difficult for states to prepare funding requests in a timely manner that approximated the true needs of their trade impacted workforce. Furthermore, it may have contributed to a less than optimum distribution of resources to meet these needs. The new process will facilitate a fair and equitable distribution of trade training funds under a capped entitlement program.

Developing a formalized funding process for trade program funds is critical to ETA's overall vision of providing opportunity to the maximum

number of trade affected workers so they can reconnect to the workforce quickly and making training funds available to workers who require training to obtain timely employment. To this end, the revised fund disbursement process will support the overall TAA goal to secure rapid, suitable, and long-term employment for adversely affected workers served by the trade program.

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4. Overview of Funding Process. ETA is adopting an annual allocation process for disbursing TAA funds for training and associated administrative costs. The annual allocation process will utilize a set formula for distributing 75 percent of available TAA training funds. The remaining 25 percent will be reserved for distribution to states experiencing large, unexpected layoffs. The reserve funds will be distributed after states submit a grant request and demonstrate that 50 percent of allocated formula funds have been accrued as expenditures. The factors that will be used in determining each state's share of the formula funds include prior year allocations of trade training funds and participant levels. Additional criteria in preparing requests for reserve funds will reflect the historical request process. In addition, as is currently the case, states will receive an additional 15 percent of their formula allocation for administration of the program as well as an additional 15 percent for administration for any reserve funding that is allocated. The specific application of this funding process is described below.

5. FY 2004 Funds Disbursement Process. For FY 2004, ETA will implement an annual allocation process for disbursing TAA training funds. The planning estimates and associated administrative funds for each state are included in Attachment A. The detailed information used to calculate the funding levels is shown in Attachment B. As reflected in the attachments, a planning estimate is not provided to any state that would receive less than \$100,000. The process is as follows:

TAA Formula Funds: 75 percent of the \$220 million available for TAA training—or \$165 million—will be distributed to states using the following formula:

- 80 percent of TAA formula funds, or \$132 million, will be distributed based on the average amount of funds allocated to states for TAA training in the previous three fiscal years.

- 20 percent of TAA formula funds, or \$33 million, will be distributed to states based on the average number of program participants for the previous three years for which complete data are available. Participant data will reflect information reported by states on the ETA-563/OMB approval number 1205-0016 (Quarterly Determinations, Allowance Activities and Employability Services, Under the Trade Act).
- To minimize significant fluctuations in state funding from prior years, the formula will contain a “hold harmless” feature. The “hold harmless” factor will ensure that each state’s planning estimate is at least 85 percent of the amount the state would have received last fiscal year had the new formula been in place (i.e., 85 percent of three-quarters of the TAA training funds received by the state in the previous year).

TAA Reserve Funds: 25 percent of the \$220 million available for TAA training—or \$55 million—will be designated for reserve funding. Reserve funds will be distributed to states on an as-needed basis and are designed to provide funding to those states that experience large, unexpected lay-offs. In order to be eligible for TAA reserve funds, states must demonstrate that at least 50 percent of their FY 2004 formula funds have been expended on an accrual basis. This expenditure requirement does not apply to prior year funds. Initially, the process for applying for TAA reserve funds will be similar to the existing fund request process. States requesting reserve funds must complete and submit an ETA 9023/OMB approval number 1205-0275 (Trade Adjustment Assistance/NAFTA-TAA Financial Status Report/Request for Funds) to:

Division of Trade Adjustment Assistance
Room C5311
200 Constitution Avenue N.W.
Washington, D.C., 20210

States should indicate on the form that the application is for a Supplemental Request under section 5, Type of Report, and should follow instructions contained in GAL 7-98, dated September 15, 1998, for completing the ETA 9023. States must include the number of current TAA participants and the conditions that have made the request for reserve funds necessary. Some factors which will be taken into consideration during the review of these funding requests will include expenditure of TAA formula funds, number of people currently enrolled in training, number of people expected to apply and be approved for training, average cost of training, and conditions underlying the request. Further, the request should

contain a list of active certifications including petition numbers, company names and locations.

Job Search and Relocation Allowances: States may also request Job Search and Relocation allowances for trade impacted workers who are unable to find employment within their local commuting area. These funds should be requested using the ETA 9023 and can be submitted at any time.

TAA Program Administration Funds: States will continue receiving an additional 15 percent of all formula, reserve, and job search/relocation allowances for program administration. The administrative funds will be included each time funds are obligated to states by ETA.

The use of the ETA 9023 for requesting reserve funds and job search/relocation allowances will be temporary. Another mechanism for requesting these funds is being considered and is expected to be implemented during November 2003. Once that process is finalized, additional guidance will be provided to states.

Finally, consistent with the TAA Annual Cooperative Financial Agreement, ETA may recapture any funds that states are unable to utilize within a reasonable period of time, but only after consultation with and appropriate notification to the state.

6. FY 2005 Funds Disbursement Process. In FY 2005, and future years, 75 percent of available TAA training funds will continue to be made available to states by formula, and 25 percent will be held in reserve. However, the following modifications will occur:

- 50 percent of the formula funds will be distributed to states based on average accrued expenditures in the previous three years as reported on the SF 269/OMB approval number 0348-0039 (Financial Status Report). If accrued expenditures are not available for the three years, allocated levels will be substituted for the years in which accrued expenditures are not available for all states.
- The remaining 50 percent of the formula funds will be distributed to states based on the average number of program participants for the previous three years for which complete data are available as reported on the ETA 563.

The remaining features of the funding process will remain the same including the use of the "hold harmless" factor in establishing each state's formula planning estimate, the process for requesting reserve

funds and job search/relocation allowances, and the allocation for administrative expenses. Specific guidance will be issued in advance of FY 2005.

7. Program Reporting. The new funding process emphasizes the importance of accurate and timely reporting of program participant and expenditure data on the ETA 563 and SF 269. Reported data on these forms will take on increasing importance in determining the level of funds states may receive each year for serving trade affected workers. Additional reporting elements could be considered for inclusion in the TAA funding formula in future years, particularly those related to outcomes reported on the Trade Act Participant Report (TAPR). States should monitor the validity and timeliness of all data reported in order to ensure fair and equitable treatment for all states with regard to trade funding.

8. National Emergency Grants (NEG)/ Dual Enrollment. Consideration was given to including prior year dual enrollment grants in the TAA formula for calculating state planning estimates. After careful consideration, it was determined that the inclusion of these NEG awards would be inappropriate because NEGs are discretionary funds available for unanticipated mass layoffs and are better suited to augment ongoing TAA operating levels. Receipt of a prior year NEG for a single, large layoff may not be the best predictor that the state will experience future layoffs of that size. NEGs remain available through the normal NEG application process.

9. Action Required. States should ensure that all trade program staff are informed and knowledgeable of this policy.

10. Inquiries. States should direct all inquiries to the appropriate ETA regional office.

Attachment A: FY 2004 State Formula Funded Planning Estimates and Administrative Allotments

Attachment B: FY 2004 Supporting Information for State Formula Funded Planning Estimates and Administrative Allotments