

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION TAA
	CORRESPONDENCE SYMBOL ONR
	DATE October 4, 2004

TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 6-04

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE LIAISONS
STATE TRADE COORDINATORS

FROM: EMILY STOVER DeROCCO
Assistant Secretary 

SUBJECT: Fiscal Year (FY) 2005 State Base Allocations and the Process for Requesting Additional Trade Adjustment Assistance (TAA) Program Reserve Funds

1. **Purpose.** To provide states with the formula methodology used in developing the Fiscal Year (FY) 2005 base allocations and to describe the process for requesting additional TAA program reserve funds for training, job search allowances, relocation allowances, 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 "Financial Process for the Revised TAA Program," dated June 15, 1989; Training and Employment Guidance Letter (TEGL) No. 17-00, Change 1 "Automation of Financial Reporting for All Trade Program Grants," dated July 3, 2003; TEGL 6-03 "Fiscal Year (FY) 2004 State Planning Estimates and Process for Requesting Additional Trade Adjustment Assistance (TAA) Funds for Training and Administration," dated October 1, 2003; TEGL 7-03 "Fiscal Year (FY) 2004 State Allocations Under the Continuing Resolution for Trade Adjustment Assistance (TAA) Funds for Training and Administration," dated October 1, 2003; and TEGL 2-04 "Trade Adjustment Assistance (TAA) Program Reserve Funds," dated July 14, 2004.
3. **Background.** The Employment and Training Administration (ETA) revised its fund allocation process for the TAA program and implemented a formula based methodology for distributing training funds on October 1, 2003. This approach enables states to receive a base allocation prior to the start of the

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fiscal year. The formula has proven effective in allowing states to better plan and manage funding resources for addressing the training needs of trade-certified workers.

The funding formula facilitates the fair and equitable distribution of available resources for training; encourages states to serve the greatest number of people with the resources available in the current fiscal year; provides an incentive for states to fund training plans through the end of the current fiscal year rather than mortgaging this year's funds for next year's needs; provides states with the ability to more effectively plan and manage the use of their TAA training resources; and is consistent with ETA's goal to secure rapid, suitable, and long-term employment for adversely affected workers. As a result of the formula and associated system-wide management improvements, for the first time in several years, funds remained available throughout Fiscal Year 2004 to address the needs of trade-affected workers.

4. **Overview of Funding Process.** The funding formula is applied to 75 percent, or \$165 million, of requested TAA training funds to provide each state with a base allocation. The factors used in determining each state's share of the formula funds include previous year allocations, accrued expenditures and participant levels. The remaining 25 percent, or \$55 million, is reserved for distribution to states experiencing large, unexpected layoffs or having training needs that exceed available funds.

States must submit a fund request and demonstrate that at least 50 percent of all available TAA training funds have been accrued as expenditures, or otherwise demonstrate need, to access reserve funds. To apply for reserve funds, as well as job search and relocation allowance funds, states must use the Standard Form (SF) 424, Application for Federal Assistance and the ETA-9117, Trade Adjustment Assistance Reserve Funding Request Form (OMB Approval Number 1205-0275).

An additional 15 percent will be added for program administration to any base allocation, reserve training funds or job search and relocation allowance funds allocated to states.

5. **FY 2005 Fund Allocation Process.** For FY 2005, 75 percent of training funds will continue to be made available to states by formula, and 25 percent will be held in reserve. This year's formula differs slightly from the formula used for FY 2004. The process is as follows:
 - A. **TAA Formula Funds:** 75 percent of the \$220 million requested for TAA training – or \$165 million – will be distributed to states using the following formula:

- 50 percent of TAA formula funds, or \$82.5 million, will be distributed based on the average amount of training funds allocated to states for TAA training in FY 2002 and FY 2003 and the accrued training expenditures reported for the first two quarters of FY 2004 on the SF-269, Financial Status Report (i.e., the sum of each state's allocations for FY 2002 and FY 2003 and accrued expenditures for the first two quarters of FY 2004, divided by 2.5).

Reliable and consistent accrued expenditure information across states was not available prior to FY 2004; therefore, state allocations were used for FY 2002 and FY 2003. It should be noted that the allocated training funds in the calculations above do not include administration, job search allowance or relocation allowance funds.

- 50 percent of TAA formula funds, or \$82.5 million, will be distributed based on the average number of training participants for FY 2002, FY 2003 and the first two quarters of FY 2004 as reported on the ETA-563, Quarterly Determinations, Allowance Activities and Employability Services (OMB Approval Number 1205-0016) (i.e., the sum of each state's reported participants for FY 2002, FY 2003 and the first two quarters of FY 2004, divided by 2.5).

With regard to participant data, each fiscal year's participants are calculated by taking new participants reported as enrolling in training during that year and adding them to individuals reported as in training on the last day of the prior fiscal year. Participant level data include all trade-affected workers with an approved training plan, regardless of funding source.

- To minimize significant fluctuations in state funding from prior years, the formula for FY 2005 also contains the "hold-harmless" feature used in FY 2004. The "hold-harmless" factor ensures that each state's base allocation is at least 85 percent of the base allocation the state received in FY 2004.
 - In instances where the formula approach gives states less than \$100,000, those states will not receive a base allocation and will need to use WIA formula funds for TAA training and/or request trade reserve funds in accordance with the procedures described in Section B.
- B. **TAA Reserve Funds:** The remaining 25 percent of the \$220 million requested 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 layoffs or have training needs that are not met by their base allocation. In order to be eligible for TAA reserve funds, states must demonstrate that at least 50 percent of all available TAA training funds available during FY 2005 has been expended on an accrual basis, or otherwise demonstrate need. States requesting reserve funds

must complete the SF-424 and ETA-9117 and submit them in accordance with instructions contained in TEGL 2-04.

In addition to the criteria contained in TEGL 2-04, factors that will be taken into consideration during the review of these funding requests will include: the expenditure of FY 2005 base allocation funds, the expenditure of prior TAA fiscal year funds, the availability of WIA and other sources of funds, the number of participants currently enrolled in training, the number of participants with approved training plans who have not started training, the number of anticipated new enrollees, the number of petitions certified, the average take-up rate for training, the average training cost per participant, the average training duration, and the average training completion rate.

- C. **Job Search and Relocation Allowances:** States may also request job search and relocation allowances for trade-affected workers who are unable to find employment within their local commuting area. These funds should be requested using the ETA-9117 and can be submitted at any time or in combination with a request for reserve training funds.
- D. **TAA Program Administration Funds:** States will continue receiving an additional 15 percent of all base allocation, reserve, and job search/relocation allowances for program administration. The administrative funds will be included each time funds are obligated to states by ETA.

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. **Program Reporting.** The formula approach to distributing TAA funds emphasizes the importance of accurate and timely reporting of training participant and expenditure data on the ETA-563 and SF-269. Reported data on these forms are critical in determining the level of funds states will receive each year for serving trade affected workers. It is in each state's best interest to ensure accuracy and timeliness of reported data in the ETA-563, SF-269, and the Trade Act Participant Report (TAPR) (OMB Number 1205-0392). Data on the TAPR are used to derive the average training duration and the training completion rate when evaluating state requests for TAA reserve funds. Moreover, reported outcome data on the TAPR will be given serious consideration for use in the subsequent year TAA formula funding. In addition, states should report accurate information on the SF-424 and ETA-9117 when making requests for TAA reserve funds, job search and relocation allowances.

7. **National Emergency Grants (NEG)/ Dual Enrollment.** Consideration was again given to including prior year dual enrollment grants in the TAA formula for calculating state base allocations. After careful examination, it was determined that the inclusion of these NEG awards would be inappropriate because NEGs are discretionary funds available for unanticipated mass layoffs. 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 once TAA program funds become unavailable or insufficient to support the training needs of TAA-certified individuals.
8. **Action Required.** States should ensure that all trade and workforce investment program staff are informed and knowledgeable of this policy.
9. **Inquiries.** States should direct all inquiries to the appropriate ETA regional office.
10. **Attachment.**

FY 2005 State Base Allocations and Administrative Allotments