

Workforce Arizona Council
Funding Allocation Policy

POLICY NAME: Funding Allocation Policy

POLICY NUMBER: 09

EFFECTIVE DATE: September 7, 2023

ISSUING AGENCY: Workforce Arizona Council

SCOPE: Local Workforce Development Boards (LWDBs), local subrecipients and fiscal agents, Arizona Department of Economic Security (DES) staff, Arizona Office of Economic Opportunity (OEO) staff, WIOA Title I operators, WIOA Title I program manager(s), WIOA fiscal agents, and the State Workforce Board (“Council”).

REFERENCES: 20 CFR 683.125(a) Minimum Funding Provisions

OBJECTIVE: This policy provides guidelines by which Workforce Innovation and Opportunity Act (WIOA) formula grants shall be established and modified.

TABLE OF CONTENTS:

- I. Background
- II. General
- III. Policy
- IV. Reallocation
- V. Allocation Formula
- VI. Funding Guidelines

I. Background

This policy defines the formula Arizona uses for equitably allocating WIOA resources across the 12 local workforce areas in the State.

In Arizona, the State Workforce Development Board is called the Workforce Arizona Council (the Council). In Arizona, the State Administrative Entity is the Arizona Department of Economic Security (DES).

II. General

This policy defines the approach Arizona uses for equitably allocating WIOA resources across the State’s 12 local workforce areas for Workforce Innovation and Opportunity Act (WIOA) Adult, Dislocated Worker, and Youth Programs. WIOA provides an opportunity to improve job and career options for our nation’s workers and job seekers through an integrated, job-driven, public workforce system that links diverse talent to businesses. WIOA supports the development of strong, vibrant regional economies

where businesses thrive and people want to live and work. This workforce system is characterized by three critical hallmarks of excellence, which are that:

1. The needs of business and workers drive workforce solutions.
2. The One-Stop centers provide excellent customer service to workers, job seekers and employers, and focus on continuous improvement.
3. The workforce system supports strong regional economies and plays an active role in community, economic, and workforce development.

The United States Department of Labor (US DOL) awards States annual allocations by formula for the WIOA Title I programs—Adult, Dislocated Worker, and Youth—and the States, in turn, distribute, by formula, allocations to the LWDBs for the three programs to fund the provision of employment, education, and training services.

III. Policy

The Workforce Arizona Council follows US DOL guidelines to determine the State, regional, and local economic issues to focus on for WIOA funding. The Office of Economic Opportunity (OEO) staff will annually calculate the options for WIOA Adult, Dislocated Worker, and Youth funding and apply the formula for the factors selected based on the identified economic issues for each Local Workforce Development Area.

All LWDBs will receive their annual WIOA formula funding for the Adult and Dislocated Worker programs in two separate allotments. A portion of the funds will be distributed on or after July 1st, with the remainder of the funds to be distributed on or after October 1st, pending approval of the US DOL's fiscal year budget. The October allocations for the Adult and Dislocated Worker programs are subject to change should the US DOL's approved budget modify the formula allocations.

1. Allocation of funds shall apply to the three formula funding streams for WIOA Title I programs: Adult, Dislocated Workers, and Youth.
2. The annual allotment, issued by US DOL Employment and Training Administration (ETA) in a Training and Employment Guidance Letter (TEGL):
 - a. Disseminates the amounts available to each State.
 - b. Specifies the amount available for the Governor to set aside for statewide workforce investment activities and rapid response activities.
 - c. Lists the salary cap imposed under the latest appropriation act. No funds under the header "Employment and Training Administration" may be used by a recipient or subrecipient to pay the salary and/or bonus of an individual, either as direct costs or indirect costs, at a rate in excess of Executive Level II.
3. Each program year the Governor may reserve a portion of the Dislocated Worker funds for statewide rapid response activities, as described in section 134(a)(2) of WIOA.

4. All formula funds are subject to the Uniform Guidance outlined at 2 CFR 200 and the US Department of Labor exceptions outlined at 2 CFR 2900.

5. Funds must be made available within 30 days of being available to the State; additionally, funds can be obligated according to the period of performance (20 CFR 683.120(a)(2)(iii)).

6. No WIOA funds may be expended by a LWDB until a signed agreement has been submitted to DES.

IV. Reallocation

1. Program year funds not expended by LWDBs at the end of a two-year period from initial allocation will be returned to the State.
 - a. LWDB financial reports for the quarter ending June 30 will be used to calculate unexpended funds.
 - b. Funds returned to DES at the end of the second year will be expended in the remaining third year and will only be used for statewide activities to support the Workforce Arizona Council priorities and strategic plan.
 - c. The State will report to the Council how much funding was returned and by what area.

V. Allocation Formula

The state follows WIOA sections 128 and 133 in the development of allocation formulas for the distribution of funds for employment and training activities for adults, and youth workforce investment activities. The State utilizes the:

1. Adult and Youth discretionary formulas
 - a. 70 percent of the funds according to the allocation formula
 - i. Relative number of unemployed individuals in Areas of Substantial Unemployment in each local area
 - ii. Relative excess number of unemployed individuals in each local area
 - iii. Relative number of disadvantaged adults/youth
 - b. 30 percent on the basis of a formula that incorporates additional factors related to:
 - i. Excess poverty in urban, rural, and suburban areas, and
 - ii. Excess unemployment above the State average in urban, rural, and suburban local areas.
2. Governor prescribed formula for Dislocated Worker programs which is outlined in the State plan
 - a. This involves a percentage of the following factors:
 - i. Insured unemployment data;
 - ii. Unemployment concentrations;

- iii. Declining industries data;
 - iv. Plant closing and mass layoff data;
 - v. Farmer-rancher economic hardship data; and
 - vi. Long-term unemployment data.
 - b. WIOA regulations allow a State to assign zero weight to a factor only where the State is able to demonstrate it does not have an appropriate data source to accurately reflect State needs for a given data factor. Arizona assigns zero weight to:
 - i. Plant closing and mass layoff data
 - ii. Farmer-rancher economic hardship data
3. Rapid Response (RR) Funding
- a. Rapid Response funding is 25% of the total WIOA Dislocated Worker funding at the beginning of each year.
 - b. The Council shall vote annually whether to hold RR funding at the State level or return some or all of the funding to the LWDBs.
 - i. The Council has the authority to determine the percentages for disbursement.

VI. Funding Guidelines

Funds allocated by a State to a LWDB under WIOA sections 128(b) and 133(b), for any program year are available for expenditure only during that program year and the succeeding program year. Funds which are not expended by a LWDB in the 2-year period must be returned to the State. WIOA Title I funding must be expended using the first-in, first-out accounting method. In accordance with WIOA sections 128(c) and 133(c), LWDBs must ensure that a minimum of 80 percent of each of their WIOA formula funding allocations are obligated by June 30th of the program year the funds were awarded. LWDBs with obligations below the required 80 percent threshold are subject to the recapture of funds.

Allowable funding for transitional jobs is limited to 10 percent of the combined allocations for the Adult and Dislocated Worker programs. LWDBs may reserve up to 20 percent of the combined allocations for the Adult and Dislocated Worker programs to fund allowable incumbent worker training.

Per WIOA section 129(c)(4), LWDBs must spend a minimum of 20 percent of their Youth funds on paid and unpaid work experiences as defined in WIOA section 129(c)(2)(C).

With the State's written approval, a LWDB may transfer up to 100 percent of a program year allocation for adult employment and training activities, and up to 100 percent of a program year allocation for dislocated worker employment and training activities between the two programs. LWDBs may not transfer funds to or from the youth program.

Allowable funding for local administration is limited to 10 percent of the allocation for each program.

Expenditures for the WIOA funds awarded are allowable only for those activities permitted by WIOA and/or the WIOA Final Regulations. In general, to be an allowable WIOA expenditure, a cost must meet the following principles:

- Be necessary and reasonable for the performance of the award.
- Be allocable to the grant.
- Be authorized and not prohibited under Federal, State, or local laws or regulations.
- Receive consistent treatment by the sub-recipient.
- Not be used to meet Federal matching requirements.
- Be adequately documented.
- Conform to US DOL Employment and Training Administration grant exclusions and limitations.

The costs associated with the direct provision of services to program participants are program costs. Required program activities for the Adult and Dislocated Worker programs include career and training services as described in the WIOA sections 134(c)(2) and (3). Permissible program activities, including supportive services, are described in the WIOA section 134(d). Required and permissible program activities for the Youth program are described in the WIOA section 129.

The costs associated with performing activities or functions that are not related to the direct provision of services to program participants are administrative costs. Examples include:

- Accounting, cash management, budget, procurement, personnel, payroll, property management, audit, and general legal services functions.
- Coordinating the resolution of findings arising from audits, reviews, investigations, and incident reports and developing systems and procedures, including information systems, required for those functions.
- Oversight and monitoring activities, depending on whether the activity being monitored is administrative or programmatic in nature.
- The costs of supplies and equipment used for administrative functions or activities and the cost of staff that performs and/or supervises administrative functions or activities.

CONTACT ENTITY: Inquiries regarding this policy must be directed to the Workforce Arizona Council staff at Workforce.Council@oeo.az.gov.