

## **Workforce Arizona Council**

### **Funding Allocation Policy for WIOA Title IB Adult, Dislocated Worker and Youth Programs**

**POLICY NAME:** Funding Allocation Policy for WIOA Title IB Adult, Dislocated Worker, and Youth Programs

**POLICY NUMBER:** 09

**EFFECTIVE DATE:** March 13, 2025

**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 (“the Council”).

**REFERENCES:** Workforce Innovation and Opportunity Act of 2014 (WIOA) Sections 101, 128, 133; 20 CFR 679.130; 20 CFR 683.125; 20 CFR 683.120.

**OBJECTIVE:** The Workforce Innovation and Opportunity Act (WIOA) requires the Governor, with assistance from the state board (WIOA Sec. 101(d)(9)), to develop allocation formulas for the distribution of funds for employment and training activities to local areas as permitted under WIOA Sec. 128(b)(3) and 133(b)(3). This policy provides guidelines by which Workforce Innovation and Opportunity Act (WIOA) formula grants shall be established and modified.

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#### **I. Background**

Annually, Congress provides funding to the U.S. Department of Labor (US DOL), the federal agency that administers the Workforce Innovation and Opportunity Act’s (WIOA) Title I Adult, Dislocated Worker, and Youth programs. The Secretary of Labor allocates these funds to the states.

In Arizona, the State Board is called the Workforce Arizona Council (the Council). The Department of Economic Security (DES) is the State Administrative Entity and Grant Recipient as specified in the Workforce Innovation and Opportunity Act.

This policy defines the formula and approach to be used in Arizona for equitably allocating WIOA Title IB financial resources across the 12 Local Workforce Development Areas (LWDAs) in the State, for WIOA Adult, Dislocated Worker, and Youth Programs.

## **II. General**

The Workforce Innovation and Opportunity Act (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:

1. The needs of businesses and workers drive workforce solutions, and local boards are accountable to the communities in which they are located.
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 US DOL awards States annual allocations by formula for the WIOA Title IB programs—Adult, Dislocated Worker, and Youth—and the States, in turn, distribute, by formula, allocations to the Local Workforce Development Boards (LWDBs) for the three programs to fund the provision of program administration and oversight, local workforce development board activities, employment, education, training, and supportive services for eligible participants.

## **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. These funding options will be based on objective labor market data and economic conditions. The data will be applied to the formula for the factors selected based on the identified economic issues for each Local Workforce Development Area (LWDA), and in accordance with sections 128 and 133 of WIOA. The final formula will be applied across all LWDAs.

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 Worker, 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 DOL 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 and has been fully executed.

#### **IV. Allocation Formula**

The State follows WIOA sections 128 and 133 and the relevant Training & Employment Guidance Letter (TEGL) issued annually by US DOL in the development of allocation formulas for the distribution of funds for employment and training activities for Adult, Dislocated Worker and Youth workforce investment activities.

1. For Adult and Youth programs, the Council has selected to use the available discretionary allocation methodology. Under this discretionary formula, the State:
  - a. Must allocate a minimum of 70 percent of the funds according to the allocation formula in Section 128(b)(2) for youth funds and Section 133(b)(3) for adult funds:
    - i. 1/3 Relative number of unemployed individuals in Areas of Substantial Unemployment in each local area,
    - ii. 1/3 Relative excess number of unemployed individuals in each local area,
    - iii. 1/3 Relative number of disadvantaged adults/youth.

- b. May allocate up to 30 percent of the funds (at any ratio) on the basis of a formula that:
      - i. Incorporates additional factors relating to excess poverty in urban, rural, and suburban local areas;
      - ii. Incorporates additional factors relating to excess unemployment above the State average; and
    - c. Must ensure the formula was developed and approved by the Council and included in the WIOA State Plan, approved by the US DOL
  
- 2. For Dislocated Worker programs, funds must be allocated on the basis of a formula prescribed by the Governor that distributes funds in a manner that addresses the State's dislocated worker needs. Funds so distributed must not be less than 60 percent of the State's formula allotment.
  - a. The formula must use the most appropriate information, including on:
    - 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. Of the WIOA formula funds allotted for services to dislocated workers, the Governor, through the Workforce Arizona Council, will reserve up to twenty-five percent (25%) of the funds for statewide rapid response activities described in WIOA sec. 134(a)(2)(A), 20 CFR 682.300 through 682.370.
    - i. Ten percent (10%) shall be allocated equally among Local Areas to ensure, at a minimum, that some capacity exists in each Local Area for the coordination and conduct of required Rapid Response activities; and
    - ii. Fifteen percent (15%) shall be reserved at the State level for statewide Rapid Response activities.
    - iii. Additional Rapid Response funds may be made available by the State to local areas if there is a sudden catastrophic or economic event impacting the LWDA.
  - b. Funds reserved by a Governor for required rapid response activities under sec. 133(a)(2) of WIOA, to carry out sec. 134(a)(2)(A) of WIOA

that remain unobligated after the first program year for which the funds were allotted, shall revert back to the State and be used by the Governor to carry out statewide activities authorized under 20 CFR 683.120(b) and 20 CFR 682.200 and 20 CFR 682.210.

#### 4. LWDA Allocation Determination

- a. Upon receipt of the annual Training and Employment Notice (TEN) on Planning Estimate(s) for Workforce Innovation and Opportunity Act (WIOA) Adult, Dislocated Worker, and Youth Program Allotments for any given Program Year (PY), Council staff shall disseminate the TEN to the appropriate stakeholders. The Office of Economic Opportunity Labor Market Information (LMI) team shall review and evaluate planning estimates and apply an objective factor-focused data-driven allotment methodology based on Arizona's economic conditions and per the determined discretionary allocation methodology by the Workforce Arizona Council. The LMI team utilizes objective data from the Bureau of Labor Statistics (BLS), the Department of Labor Employment and Training Administration (ETA), the Census Bureau, and the Arizona Department of Economic Security.
- b. The Council and/or its appointed committee/workgroup, at their first (1st) calendar quarter meeting, upon receipt of the TEN with State-level WIOA Title IB planning allocations, shall hear a presentation by OEO staff focused on economic conditions and data factors. Information presented will be used to determine and vote on the recommended WIOA Title I formula allotment methodologies and/or weights focus for each of the allowable data factors. The initial approved recommendation shall apply for three (3) years after the date of approval of this policy and every two (2) years thereafter, unless a major economic shift occurs (e.g., pandemic, recession, industry shifts, etc.), requiring an additional objective assessment of the voted methodology. The Workforce Arizona Council reserves the right to review its voted-upon methodology annually.
- c. Upon receipt of the final Training and Guidance Letter on Workforce Innovation and Opportunity Act (WIOA) Adult, Dislocated Worker, and Youth Activities Program Allotments for any given Program Year (PY) Council staff shall disseminate the notice to the appropriate stakeholders. The Office of Economic Opportunity Labor Market Information (LMI) team shall confirm allotments based on Council voted methodologies and/or weights focus for each of the allowable data factors.
- d. The Council, at their second (2nd) calendar annual quarter meeting, shall hear a final presentation and recommendation focused on economic conditions and data factors and shall be provided with final allotments to the local areas.
- e. DES shall be responsible for notifying LWDA's in writing of their annual allocations, as voted on by the Council.

## V. 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). At least 75% of allocated Youth funds must be used for youth workforce investment activities targeting out-of-school youth. The Council may reduce this requirement to 50% for local areas if an analysis determines insufficient out-of-school youth to meet the 75% threshold via waiver request to DOL. Refer to the Department of Economic Security (DES) Youth Program policy Chapter 2, section 300.

Pursuant to the Department of Economic Security (DES) Transfer of Funds Policy Chapter 3, Section 400, 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 Youth and Rapid Response funds.

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 Sec. 134(d). Required and permissible program activities for the Youth program are described in the WIOA Sec. 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](mailto:Workforce.Council@oeo.az.gov).