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TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 20-01, Change 5

TO: ALL STATE WORKFORCE LIAISONS
ALL STATE WORKFORCE AGENCIES

FROM: EMILY STOVER DeROCCO /s/
Assistant Secretary

SUBJECT: Application Process for Workforce Investment Act (WIA) Section 503
Incentive Grants, Program Year (PY) 2005 Performance

1. Purpose. This guidance letter updates the procedures states should follow to apply for WIA section 503 Incentive Grants.
2. References. Workforce Investment Act of 1998 (WIA) (Pub. L. 105-220) sections 174, 211, and 503, (29 U.S.C. 2919, 20 U.S.C. 9211, 9273); Training and Employment Guidance Letter (TEGL) No. 8-99, Negotiating Performance Goals, and Incentives and Sanctions Process under title I of the Workforce Investment Act (WIA) (March 3, 2000); TEGL No. 14-00, Change 1, Workforce Investment Act Performance Reporting System (November 19, 2001); TEGL No. 14-03, Performance Reporting Submission Procedures for the Workforce Investment Act Standardized Record Data (WIASRD) and the Annual Report under title 1-B of the Workforce Investment Act (November 13, 2003); Training and Employment Notice (TEN) 16-06, Exclusion of the Dislocated Worker Earnings Measure from Program Year (PY) 2005 Incentive and Sanction Determinations (November 2, 2006); 20 CFR part 664, 666.200 - 666.230, and 666.205(c); and Carl D. Perkins Vocational and Technical Education Act (Perkins Act) (Pub. L. 105-332) section 111(a) (20 U.S.C. 2302(9), 2321(a)).
3. Background. Section 503 of the Workforce Investment Act provides for incentive grants to reward states for successful performance in workforce and education programs. The provisions authorizing funding for incentive grant awards are found

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in WIA section 174(b)(2)(D) for workforce investment services (29 U.S.C. 2919(b)(2)(D)), Adult Education and Family Literacy Act (AEFLA) section 211(a)(3) for adult education activities (20 U.S.C. 9211(a)(3)), and the Carl D. Perkins Vocational and Technical Education Act (Perkins Act) section 111(a)(1)(C) for vocational education activities (20 U.S.C. 2321(a)(1)(c)). Fiscal Year 2006 funding available for PY 2005 performance totals \$16,352,987.

The Department of Labor regulations on incentive awards may be found at 20 CFR 666.200 through 666.230.

4. Eligibility. The list of states eligible to receive incentive grant awards for PY 2005 performance and the amounts of the awards for which they are eligible were published in the Federal Register on April 30, 2007. Eligibility for a section 503 incentive grant award was determined by state performance under WIA title I, AEFLA, and Perkins Act programs. States that are eligible for incentive grant awards have 45 days from the April 30, 2007, Federal Register notice to submit their applications for these awards.
5. Amount of Incentive Awards. WIA section 503(c)(1) sets the range of incentive grant awards from \$750,000 to \$3 million, depending on the amount of appropriated funds available. If the amount available for grants is insufficient to award the minimum grant to each eligible state, the minimum and maximum grant amounts will be adjusted by a uniform percentage as required by WIA section 503(c)(2). For the PY 2005 performance awards, the criterion for determining the amount of the incentive grant within this range will be the size of the state's program, as measured by the state's relative share of the combined title I, AEFLA, and Perkins Act formula grants awarded to that state.
6. Authorized Use of Funds. 20 CFR 666.210 authorizes a state to use its incentive grant award to carry out an innovative program consistent with the requirements of any one or more of the programs within title I of WIA, AEFLA, or the Perkins Act. This provides states greater flexibility in using these funds, and the Governors and state agencies are not limited to only one type of innovative program.

Incentive grant funds awarded to states will be identified as WIA title V, Program Year 2006 funds, and must be expended by June 30, 2009.¹ Because this timeframe differs from the typical program timeframes used by AEFLA and the Perkins Act, cooperation among state agencies to ensure timely expenditure of these funds is strongly encouraged.

¹ Typically, states would have three years to spend a Program Year's funds. However, because incentive grants, taken from FY 2006 funds, will be awarded at the end of Program Year 2006, states will be given through June 30, 2009, to expend the funds.

States may expend funds for activities authorized under WIA title I, AEFLA, and/or the Perkins Act. While DOL administrative provisions apply to the statutory life of the funds, the individual program provisions apply to the use of funds. For example, if the incentive funds are used for a WIA title I activity for youth services, the applicable program requirements for youth programs in 20 CFR 664 and WIA title I would apply to that portion of the funds. If innovative Adult Education and Literacy and/or Perkins Act programs were planned, the provisions of AEFLA, the Perkins Act and the Education Department's General Administrative Regulations (EDGAR) (34 CFR 74-77, 79-82, 85-86, and 97-99) would apply to that portion of the funds.

States are encouraged to plan activities that promote cooperation and collaboration among the agencies administering WIA title I, AEFLA, and Perkins Act programs. The Secretaries of Labor and Education encourage Governors and their state agency representatives to take advantage of the broad flexibility Congress intended for these funds by planning for activities that are:

- A. *Innovative* – Services and activities beyond those the state conducts with its regular funds from these programs, particularly activities that are authorized through more than one program.
- B. *Comprehensive and coordinated* – Combined activities and services that are authorized by different programs.
- C. *Targeted to improving system performance* – Activities that serve the needs and populations that are likely to result in improving state systems of employment, training, and education, especially those linking to high-growth industries and occupations.

The U.S. economy and its labor markets are undergoing changes of historic proportion. In February 2006, ETA launched the Workforce Innovation in Regional Economic Development (WIRED) Initiative, focusing on the role of talent development in driving regional economic competitiveness, increased job growth, and new opportunities for American workers. The WIRED framework (http://www.doleta.gov/wired/files/WIRED_Fact_Sheet.pdf) focuses on talent, infrastructure and investment. States should keep this transformational effort in mind when planning activities funded by incentive grants. State Departments of Labor and Education can work together to focus on workforce education and training projects that facilitate innovative talent development and maximize opportunities for employment and life-long learning.

7. Application Process. States that qualify must apply by sending an original and two copies of an application for an incentive grant to the U.S Department of Labor, which will work with the U.S. Department of Education to review the applications (electronic transmissions are allowed as long as electronic signatures are included). The application may take the form of a letter from the Governor to the Assistant Secretary for Employment and Training (addresses are listed below), and must include the following:

- A. Assurances – The application must include a Standard Form 424 (Application for Federal Assistance) form and assurances that:
- 1) The state legislature was consulted with respect to the development of the application.
 - 2) The application was approved by the Governor, the eligible agency for adult education (as defined in section 203(4) of WIA (20 U.S.C. 9202(4))) and the state agency responsible for vocational and technical education programs (as defined in section 3(9) of Perkins Act (20 U.S.C. 2302(9))).
 - 3) The state and the eligible agency, as appropriate, exceeded the state adjusted levels of performance for WIA title I, the state adjusted levels of performance for AEFLA, and the performance levels established for Perkins Act programs.
- B. Additional Information – The state must provide a description of the planned use of the incentive grant as part of the application process to ensure that the state’s planned activities are authorized under the WIA title I, AEFLA, and/or Perkins Act, as required by WIA section 503(a). When describing the planned activities in response to number 2, below, the state should note which program the authorized activities fall under.

The other descriptive information (see numbers 3 and 4, below) about the state’s plan is requested for inclusion in the state’s incentive grant document. The Departments of Labor and Education will use this information to monitor the use of incentive grants and in reports to Congress on state performance. (Note: The state’s receipt of an incentive grant is *not* contingent on this other descriptive information, but this information is required for the WIA title V Grant Agreement.) The state must:

- 1) Identify the state agency and contact person that will receive and administer the funds on behalf of all state agencies. The agency may be the state workforce agency or other entity associated with these funds. This agency will be responsible for reporting on the use of all funds. If agencies other than the grant recipient will be undertaking program activities with the funds, please identify the sub-grantee(s) and the amount(s) they will be provided.
 - 2) Describe the planned activities. This information should include the legislative authority for the activity and a description of how the activities are innovative, comprehensive and coordinated, and targeted to improving system performance in accordance with the major objectives set forth in the state's current WIA Strategic Plan as appropriate. Include information on how services build on, rather than duplicate, services offered under the AEFLA and Perkins Act state grants or WIA title I. Describe how these funds are being used collaboratively with other partner programs to benefit service to clients.
 - 3) Describe ways in which the activities are related to improving performance levels on the state indicators of performance for each different activity planned. For example, describe how the activities will strengthen the state's ability to improve literacy levels, increase employment, increase transitions to further education and training, and/or improve technical and academic skills.
 - 4) Describe any state consultation with stakeholder groups and the general public on the use of incentive award funds. States are encouraged to seek public input on the use of state incentive funding, including that of representatives of adult education, vocational education programs, and other workforce system partners.
 - 5) Provide a completed set of the attached Standard Form 424(A) Budget Sections A, D and E only.
8. Action Required. As explained in 20 CFR 666.205(c), states have 45 days from the date of publication of the Federal Register notice announcing eligible states and incentive amounts to submit the required application materials. Applicants are

advised that mail in the Washington, D.C. area may be delayed due to mail decontamination procedures. Therefore, states are encouraged to submit applications electronically. Application materials are due by June 14, 2007, and should be sent to:

Emily Stover DeRocco
Assistant Secretary for Employment and Training
U.S. Department of Labor
200 Constitution Avenue, NW, Room S-5206
Washington, D.C. 20210
Attn: Karen Staha

Or electronically:
staha.karen@dol.gov

Funds must be obligated by June 30, 2007. States are encouraged to submit their applications prior to the due date. The ETA regional administrators will be available to provide any technical assistance to states in preparing and expediting the applications.

9. Attachments. Standard Forms 424 and 424(A).