

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WIA/HCTC
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ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 25-09

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE ADMINISTRATORS
STATE WORKFORCE LIAISONS
STATE LABOR COMMISSIONERS

FROM: JANE OATES /s/
Assistant Secretary

SUBJECT: Health Coverage Tax Credit National Emergency Grants

1. Purpose. To provide guidance and direction regarding the availability of Health Coverage Tax Credit (HCTC) National Emergency Grant (NEG) resources for health insurance coverage assistance and support services for eligible Trade Adjustment Assistance (TAA) recipients and other eligible individuals, as authorized under the Workforce Investment Act of 1998, and to inform potential applicants and current grantees of changes made to the program by the TAA Health Coverage Improvement Act of 2009.

2. References.

- Trade Adjustment Assistance Reform Act of 2002 (Trade Act of 2002) (P.L. No. 107-210), sections 201, 202, and 203
- TAA Health Coverage Improvement Act of 2009, Section 1899 et seq. of the Trade and Globalization Adjustment Assistance Act of 2009 (TGAAA), Part VI of subtitle I of title I of Division B of the American Recovery and Reinvestment Act of 2009 (Recovery Act) (P.L. No. 111-5)
- Workforce Investment Act (WIA), section 173 (29 U.S.C. 2918)
- Internal Revenue Code of 1986, as amended (IRC), section 35 (26 U.S.C. 35) and section 9801(c) (26 U.S.C. 9801(c))
- Training and Employment Guidance Letter (TEGL) No. 10-02, "Use of National Emergency Grant Funds Under the Workforce Investment Act, as Amended, to Develop Systems for Health Insurance Coverage Assistance for Trade-Impacted Workers," dated October 10, 2002

Resci ssi ons TEGL No. 10-02, dated October 10, 2002 TEGL No. 20-02, dated March 3, 2003 TEGL No. 20-02, Change 1, dated May 13, 2004	Expi ration Date Conti nui ng
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- TEGL No. 11-02, “Operating Instructions for Implementing the Amendments to the Trade Act of 1974 Enacted by the Trade Act of 2002,” dated October 10, 2002 (69 Fed. Reg. 60903 (2004))
- TEGL No. 11-02, Change 1, “Change 1 to the Operating Instructions for Implementing the Amendments to the Trade Act of 1974 Enacted by the Trade Act of 2002,” dated November 6, 2003
- TEGL No. 11-02, Change 2, “Change 2 to the Operating Instructions for Implementing the Amendments to the Trade Act of 1974 Enacted by the Trade Act of 2002,” dated August 10, 2004
- TEGL No. 11-02, Change 3, “Change 3 to the Operating Instructions for Implementing the Amendments to the Trade Act of 1974 Enacted by the Trade Act of 2002 – Revised Eligibility Requirements for Trade Readjustment Assistance (TRA) and Health Coverage Tax Credit (HCTC),” dated May 25, 2006
- TEGL No. 20-02, “Use of National Emergency Grant (NEG) Funds Under the Workforce Investment Act (WIA), as Amended, to Support Health Insurance Coverage Assistance for Trade-Impacted Workers,” dated March 3, 2003
- TEGL No. 20-02, Change 1, “Policy Guidance for Use of National Emergency Grant (NEG) Funds under the Workforce Investment Act (WIA), as Amended, to Support ‘Gap-Filler’ Payments for Individuals Eligible for the Health Coverage Tax Credit (HCTC),” dated May 13, 2004
- TEGL No. 16-03, “National Emergency Grant (NEG) Policy Guidance,” dated January 26, 2004
- TEGL No. 17-08, “American Recovery and Reinvestment Act (Recovery Act) Funds Financial Reporting Requirements,” dated April 23, 2009
- TEGL No. 22-08, “Operating Instructions for Implementing the Amendments to the Trade Act of 1974 Enacted by the Trade and Globalization Adjustment Assistance Act of 2009,” dated May 15, 2009
- TEGL No. 22-08, Change 1, “Change 1 to the Operating Instructions for Implementing the Amendments to the Trade Act of 1974 Enacted by the Trade and Globalization Adjustment Act of 2009,” dated November 20, 2009
- TEGL No. 24-08, “Workforce Investment Act and Wagner-Peyser Act Performance Accountability Reporting for the American Recovery and Reinvestment Act of 2009,” dated May 21, 2009
- TEGL No. 1-09 and Changes 1 and 2, “Reporting Requirements under Section 1512 of the American Recovery and Reinvestment Act of 2009,” dated August 14, 2009, September 21, 2009, and September 30, 2009
- Unemployment Insurance Program Letter (UIPL) No. 02-03, “Health Insurance Tax Credit for Eligible Trade Adjustment Assistance/Trade Readjustment Allowances (TAA/TRA) Recipients,” dated October 10, 2002
- UIPL No. 21-09, “Health Coverage Tax Credit (HCTC) for Eligible Trade Adjustment Assistance (TAA) Recipients,” dated April 3, 2009
- Office of Management and Budget (OMB) Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009, dated February 18, 2009 (OMB# M-09-10)
- OMB Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009, dated April 3, 2009 (OMB# M-09-15)

- OMB Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009, dated April 3, 2009 (OMB# M-09-21)
- Information Collection Forms – ETA 9103, 9104, 9105, 9106, 9107 and Project Narrative (OMB Control No. 1205-0439); ETA Form 9090 and the Workforce Investment Act Standard Record Data (WIASRD) format (OMB Control No. 1205-0420); and ETA Form 9130 (OMB Control No. 1205-0461)
- Information Collection Form – Internal Revenue Service (IRS) Form 13441 (OMB Control No. 1545-1842)

3. Background. The HCTC provides monthly payments directly to a health plan administrator on behalf of participants, allowing them to receive the benefit of the tax credit at the time of need. The HCTC provides health insurance coverage assistance to eligible TAA recipients and other eligible individuals, under the IRC as created by the Trade Act of 2002 and expanded by the TGAAA.

- The Trade Act of 2002 authorized the use of NEG funds to pay for health insurance for the three-month period that immediately precedes the first eligible coverage month for eligible TAA participants, as well as eligible Pension Benefits Guaranty Corporation (PBGC) pension recipients.
- The TAA Health Coverage Improvement Act of 2009, in Division B of the American Recovery and Reinvestment Act of 2009 (hereafter Recovery Act) increased the tax credit for eligible individuals under the HCTC program from 65 percent to 80 percent of the amount paid for qualified health coverage under section 35 of the IRC (26 USC 35).
- The Recovery Act also appropriated \$150,000,000 to fund HCTC NEGs, as described in sections 173(f) and 174(c) of the WIA.

4. Related Guidance. This TEGL rescinds the following HCTC-related TEGLs. All relevant information from these TEGLs has been incorporated into this TEGL along with updated and revised language on the HCTC as it relates to the TAA Health Coverage Improvement Act of 2009.

- TEGL No. 10-02 outlined the health insurance coverage benefits and state-level responsibilities created by the Trade Act of 2002 and announced the availability of NEG funds for states to establish the system and procedures needed to carry out their responsibilities. This information can be found in this TEGL, under Section 7, Qualified Health Insurance Coverage, and Section 9, State Responsibilities.
- TEGL No. 20-02 outlined the establishment of the mechanism by which eligible TAA and Alternative Trade Adjustment Assistance (ATAA) participants, as well as eligible PBGC pension recipients, receive assistance in covering the cost of health insurance coverage. TEGL No. 20-02 also described the primary mechanism for such assistance as a Federal tax credit to be administered by the Internal Revenue Service (IRS).

To maintain connection to health care following dislocation, this TEGL authorizes the use of NEG funds under the WIA to assist in paying the cost of qualified health insurance coverage for eligible individuals. Information contained in TEGL No. 20-02 is embedded throughout this TEGL.

- TEGL No. 20-02, Change 1 introduced the concept of “gap filler” payments which is discussed in this TEGL in greater detail under Section 11, Use of NEG Funds.

5. Changes. This TEGL outlines procedures for submitting HCTC NEG applications and highlights changes to the HCTC program as a result of the passage of the TAA Health Coverage Improvement Act of 2009. The TAA Health Coverage Improvement Act of 2009 improved the affordability of health coverage by making the following changes through a temporary provision set to expire December 2010:

- Covering 80 percent (increased from 65 percent) of the premium amount paid by eligible individuals for qualified health insurance;
- Making these premium amounts retroactive for participants enrolled on or after January 1, 2009; and,
- Amending the definition of an eligible TAA recipient to include an individual who is in a break in approved training that exceeds 30 days, and the break falls within the period of receiving TRA provided under TAA or an individual who is receiving unemployment insurance of any type, for any day of such month, and who would be eligible to receive TRA (except that the individual has not exhausted unemployment compensation (UC)) for such month, without regard to the enrollment in training requirements.

The Department is working closely with the IRS to ensure that any subsequent changes to its administration of the HCTC program, or how HCTC NEGs are used to support the HCTC program, are clearly communicated to the states and result in a more streamlined process for participants to access HCTC program benefits. As a result of this collaboration with the IRS, the Department may release additional or revised guidelines related to HCTC NEGs in the future.

6. Individuals Eligible for Assistance. Under section 35(c) of the IRC, as amended by the Trade Act of 2002, an individual eligible for health insurance coverage assistance includes:

- “an eligible TAA recipient,” defined as an individual who, with respect to any month, is receiving TRA, for any day of such month, under the TAA program, or would be eligible for TRA, except that they have not yet exhausted UC;
- “an eligible alternative TAA recipient,” defined as an individual who is receiving, or did receive in the previous month, benefits under the program established for older workers under section 246 of the Trade Act of 1974 and is receiving benefit for such month under section 246(a)(2) of such Act;
- “an eligible PBGC pension recipient,” defined as an individual who is 55 years of age or older and is receiving a pension benefit paid in whole or part by the PBGC.

In addition, coverage may also be provided for the spouse and dependents of an eligible individual where they are not otherwise covered by health insurance. Dependents are limited to those persons for whom the eligible individuals are entitled to claim a dependent deduction on the eligible individual's Federal tax return. Family members who have healthcare coverage paid for by an employer or former employer are excluded.

Section 1899A of the Recovery Act amended Section 35(a) of the IRC to improve the affordability of the tax credit by covering 80 percent (up from 65 percent) of the premium amount paid by eligible individuals for qualified health insurance beginning May 2009 through December 2010, and Section 1899B made these premium amounts retroactive to coverage months beginning after December 31, 2008. The IRS has advised individuals of these changes, as appropriate.

The new definition of an "eligible TAA recipient," as amended by Section 1899C, is effective March 2009 through December 2010. An "eligible TAA recipient" continues to be defined as an individual who receives TRA for any day of a month (and the next month following the last month the individual meets this definition) or who would receive TRA but for the fact that s/he has not exhausted UC, and is, therefore, potentially eligible for the HCTC for that month. In addition, Section 1899C added a Special Rule to Section 35(c)(2), to provide that, for any "eligible coverage month" (that is, any month an individual is eligible for the HCTC) from March 2009 through December 2010, an eligible TAA recipient also includes an individual, who:

- is in a break in approved training that exceeds 30 days, and the break falls within the period for receiving TRA provided under the Trade Act. (*See* TEGL No. 11-02, paragraph D.4., *Limitations on TRA* for an explanation of the "period for receiving TRA"), or
- is receiving UC (which includes regular UC, extended benefits (EB), and emergency unemployment compensation (EUC)) for any day of such month and who would be eligible to receive TRA (except that s/he has not exhausted UC) for such month, without regard to the enrollment in training requirements. (*See* TEGL No. 11-02, paragraphs D.2 and D.3, and TEGL No. 11-02, Change 3 for an explanation of the training requirement(s) in effect for petitions filed prior to May 18, 2009. TEGL No. 22-08 and TEGL No. 22-08, Change 1 provide guidance for petitions filed on or after May 18, 2009.)

Any individuals that meet one of the above criteria to be HCTC-eligible are also eligible to receive assistance under HCTC NEG. However, a HCTC-eligible individual can not receive assistance from a HCTC NEG and the HCTC from the IRS for the same month.

7. Qualified Health Insurance Coverage. Under section 35(e) of the IRC, health insurance that can qualify for the tax credit includes:

- (1) coverage under a Consolidated Omnibus Budget Reconciliation Act (COBRA) continuation provision;
- (2) coverage under a state-based continuation provision;

- (3) coverage through a qualified state high risk pool;
- (4) coverage under a program offered to state employees;
- (5) coverage under a state-based health insurance program comparable to a program for state employees;
- (6) coverage through an arrangement between a state, and,
 - o a group health plan,
 - o an issuer of healthcare coverage,
 - o an administrator, or
 - o an employer;
- (7) coverage offered through a state arrangement with a private sector healthcare coverage purchasing pool;
- (8) coverage under a state-operated health plan that does not receive any Federal financial participation;
- (9) coverage under a group health plan that is available through the employment of the eligible individual's spouse;
- (10) coverage under individual health insurance in which the eligible individual was covered during the entire 30-day period that ended on the date of separation from employment which made the individual potentially TRA-eligible, or qualified the individual for the benefit under section 246 of the Act; and,
- (11) coverage under an employee benefit plan, funded by a voluntary employees' beneficiary association established pursuant to an order of a bankruptcy court, or by agreement with an authorized representative, for eligible coverage months beginning before January 1, 2011.

The health insurance coverage mechanisms described under items (2) through (8) qualify for a tax credit only if the state elects to use those mechanisms and the coverage meets certain requirements. Those requirements, at section 35(e)(2) of the IRC, require that under such coverage (i) a "qualifying individual" is guaranteed enrollment; (ii) no pre-existing conditions are imposed; (iii) the premium charged is nondiscriminatory (i.e. a qualifying individual is not charged a greater amount than a similarly situated individual who is not a qualifying individual); and, (iv) the benefits are the same or substantially similar to similarly situated individuals who are not qualifying individuals. The term "qualifying individual" is defined in section 35(e)(2)(B)(i) of the IRC as an individual who is eligible for assistance as described in Section 6 - Individuals Eligible for Assistance and who, as of the date the individual seeks to enroll in one of these elected coverage mechanisms, had an aggregate period of creditable health insurance coverage (as defined in section 9801(c) of the IRC) of three months or longer. The individual also must not have other specified coverage or be imprisoned.

States must decide whether to elect to include all, some, or none of the coverage mechanisms described in items (2) through (8). States are encouraged to give consideration to these optional coverage mechanisms and evaluate their appropriateness in light of the particular circumstances in the state. (The Department is available to provide technical assistance regarding the election of the mechanisms.) The coverage mechanisms described in items (1), (9), (10), and (11) qualify for assistance under a NEG without election by the state, as do any of the state-elected coverage mechanisms.

Finally, it should be noted that with respect to continuation coverage under COBRA, section 203(e)(i)(B) of the Trade Act of 2002, added a new section 605(b) to the Employee Retirement Income Security Act of 1974 that provides an additional COBRA election period for certain TAA recipients. Under this provision, if the eligible TAA recipient did not elect continuation coverage during the 60-day COBRA election period that was a direct consequence of the TAA-related loss of coverage, s/he may elect continuation coverage during a 60-day period that starts on the first day of the month in which the individual becomes a TAA-eligible individual. However, the election may not be made later than six months after the date s/he lost individual health coverage as a result of her/his separation from employment that resulted in her/him becoming a TAA-eligible individual. The TAA-eligible individual may elect continuation coverage for both herself/himself and her/his qualifying family members.

8. Entities Eligible for NEG Awards. This program is open to all WIA state grant recipient agencies designated by the Governor to apply for WIA NEG funds.

9. State Responsibilities. The Department believes that most states already have the necessary mechanisms in place to ensure eligibility of individuals for assistance, proper referral to and enrollment of eligible individuals in qualified coverage, and effective verification of benefit payments.

For states that do not have such mechanisms, or need to update their current systems, procedures and systems must include:

- eligibility verification;
- certification of state-based healthcare plans;
- notification to eligible individuals of available qualified healthcare insurance options;
- assistance to eligible individuals in enrolling in qualified programs;
- issuing processing certificates that confirm individuals are eligible for healthcare coverage assistance;
- transmission of lists of eligible participants to the IRS via the Interstate Connection Network (ICON); and,
- development and installation of necessary data management systems.

10. Availability of NEG Funds to Assist States. NEG funds are available to assist states in establishing or modifying the infrastructure needed to meet the responsibilities specified above. An initial amount of \$50,000 is available to states to offset the additional costs of establishing or modifying the systems to comply with the state responsibilities noted above. Additions to this base level will be made as determined by documentation submitted to support a higher level.

Once the systems and procedures are in place and the state is receiving and processing HCTC requests, the state may submit a modification to the grant award to cover ongoing operational costs for these activities that exceed the amount of the initial system building grant award.

States that previously were awarded HCTC infrastructure funds for the purpose of establishing the requisite systems are limited to requesting funding to reprogram the new eligibility definitions into the current system.

11. Use of NEG Funds. NEG funds provided under section 173(f) of WIA may be used to provide assistance and support services, including qualifying health insurance coverage, transportation, child care, dependent care and income assistance, to eligible individuals. For both health insurance and income support assistance, the assistance cannot supplant other Federal, state or local assistance for which the individual is eligible.

In order to promote consistency with, and a transition to, the advance payment tax credit, and to conserve NEG resources in a manner that will allow broad participation by the states and eligible individuals, these NEG funds may be used to pay no more than 80 percent of the amount paid by an eligible individual for qualified health insurance coverage of the eligible individual and qualifying family members. This is the same level of assistance provided under the tax credit mechanism and is intended to fulfill the objective of providing a bridge to the advance payment tax credit mechanism.

In addition, the Department would generally expect the assistance provided under the NEG would be for prospective coverage; that is, for payments for coverage for months after the state has determined that the individual is eligible for HCTC. In extraordinary cases, as demonstrated by the applicant, the Department will consider the use of NEG funds to reimburse for qualified health insurance coverage premium payments that were made by an individual for the period before the state made an eligibility determination, but reimbursements cannot be for any period before **January 1, 2009 (the first date for coverage of monthly premiums under TGAAA)**. Furthermore, to qualify for such reimbursement, the individual would have to be determined to have met the eligibility requirements at the time such prior premiums were paid. As described below, NEG funds may be used for bridge and gap filler payments as well as to cover infrastructure costs related to the administration of the HCTC program. Individuals may apply for reimbursement regardless of whether the state has received NEG funds for bridge or gap filler payments.

Infrastructure: As outlined in section 10, NEG funds are available to assist states in establishing the infrastructure needed to meet the responsibilities specified in section 9 of this TEGL entitled, "State Responsibilities." To administer the HCTC, the Trade Act of 2002 anticipates that the Governors will establish adequate procedures and systems to ensure eligibility of individuals for assistance, proper referral to and enrollment of eligible individuals in qualified coverage, and effective verification of benefit payments.

Regarding the advanced tax credit, states will be asked to certify individuals' potential eligibility for the tax credit, issue certificates that these individuals may submit to insurers to seek the credit on an advance basis, and provide information electronically to the IRS about eligible individuals. Specific requirements for administration of the advance health insurance tax credit have been developed by the IRS. States are also asked to issue IRS Form 8887, showing the months for which eligibility requirements were met, to eligible individuals at the end of each tax year for which the credit is available. NEG funds are available to cover administrative costs for activities related to this health insurance tax credit.

Bridge Payments: States that have not yet developed the necessary infrastructure to administer the HCTC program may apply for HCTC NEG funds to help pay the cost of health insurance coverage and other authorized support services for eligible individuals while the state is developing and linking their system to the IRS system that will allow for the issuance of health insurance coverage assistance through the advanced payment tax credit mechanism.

Gap filler Payments: States may request HCTC NEG funds to cover up to three months of gap payments to support 80 percent of the qualified premium for eligible individuals. The gap period is defined as the period after the state determines a candidate's eligibility for HCTC until the IRS enrolls, processes, and pays a candidate's first payment under the HCTC program. This period is usually one month, but depending on the timing and other factors can take up to three months, and sometimes slightly longer in rare instances. NEG funding for gap periods is predicated on the fact that the individual remains eligible for the HCTC for all "gap" months.

12. Availability of Funds. Section 1899K of Division B of the Recovery Act amends section 174(c)(1)(A) of the WIA by authorizing and appropriating \$150,000,000 for HCTC NEGs. Section 174(c)(1)(A) of the WIA is a "no-year" appropriation making these funds available for Federal obligation during the pendency of any outstanding claim.

13. Coordination of Available Funds. The Department strongly encourages efforts by the state to coordinate the provision of assistance under this NEG among the appropriate state agencies, such as the state insurance commission, the state health licensing and regulatory board or entity, and other departments or entities involved in the provision of health insurance coverage. A description of such coordination must be included in the narrative section of the NEG application.

14. Dislocated Worker Formula Funds Usage. Due to the purpose of HCTC NEGs, the provision of health coverage assistance rather than traditional employment and training services, the traditional Dislocated Worker formula funds usage requirements that apply to other types of NEGs do not pertain to HCTC NEGs.

15. Application Requirements. All HCTC NEG applications are to be submitted through the NEG Electronic Application System. If an entity does not have a NEG Electronic Application System password and Personal Identification Number (PIN), please send an e-mail to NEGsystem@dol.gov to request a password and PIN.

- Grantee organizations, administrative entities and service providers are subject to the WIA statute, regulations, grant application instructions, the terms and conditions of the grant and any subsequent modifications, and to all other applicable Federal laws (including provisions in Federal Appropriations law).

- Administrative Costs - Administrative cost limitations apply to all NEG awards. A 10 percent limit will apply to all NEG projects. Any costs associated with administering a system of health insurance coverage payments must be separately identified in the application budget and justified in the narrative.

Although administrative cost limits on NEG projects are subject to negotiation, the Department expects that most projects will be able to be implemented within the above-cited limits. Any request for a higher limit will have to be clearly and fully justified in terms of unusual project operating circumstances. Applicants should recognize that any such request will have to be negotiated and will delay the timing of the funding action.

- Indirect Costs - If an indirect cost rate is applied in calculating administrative costs, the applicant must include information from the most recent approval document that identifies the approved indirect cost rate and base, the cognizant approval agency, and the date of the approval.
- Allowable Activities and Services - Funds may be used for the services described in WIA section 173(f) and (g).
- Project Design and Service Operations - Provision of services in addition to health insurance coverage assistance should be consistent with the established policies and procedures of the state in which the project is to operate.

When submitting a NEG application to provide health insurance coverage assistance via the NEG Electronic Application System, the application consists of the following OMB-approved forms:

- SF 424 – Application for Federal Assistance (OMB 4040-0004). This form is the required application for requesting Federal funds. The authorized signatory for the state must use the PIN which has been assigned to the state. The entry of this PIN on the SF 424 will constitute the authorized signature.
- Project Synopsis (ETA 9106) (OMB 1205-0439). This form summarizes key aspects of the proposed project such as project type, planned number of participants, and contact information.

For gap filler payments, states must consider the following factors:

- The total eligible population equals prospective TAA and ATAA participants and the PBGC population (ages 55 to 65). Upon request by a State Workforce Agency (SWA), the PBGC will provide the number of potentially eligible PBGC pension recipients in a state. The PBGC is also able to provide other information to assist the SWA in publicizing the availability of NEG funds for gap filler payments. To obtain this information from the PBGC, the SWA should send its request to the PBGC Disclosure Officer. The fax number is (202) 326-4042.
- The percentage of the population expected to enroll in the HCTC program. This percentage will depend heavily on the state's efforts to promote the availability

of NEG funds for gap filler payments, but more than likely will not exceed 50 percent of the eligible population. Enrollment will be less in states that do not have a state-qualified health plan.

- The amount to cover 80 percent of the average monthly health insurance premium for a qualified plan in the state. The state insurance department should be contacted for this information. A recommended monthly estimate is \$600 per person.
- The average number of months that someone will need the gap filler payments – approximately two months.

HCTC NEG applications should include the funding needed for the State to administer the gap filler payments. Other costs critical to the effectiveness of the gap filler program, including outreach and other informational activities, should also be included. These costs will generally be limited to 10 percent of the total funds requested. It is very important that states continue to provide information on the HCTC program and the availability of the NEG funds to support the costs of the premiums for qualified health insurance coverage pending the receipt of the first payment from the IRS.

- Planning Form (ETA 9103) (OMB 1205-0439). This form provides cumulative quarterly estimates on project scope (i.e. number of participants, exits), design (i.e. mix of enrollments in activities), and budget (i.e. costs by type of activity, administrative costs).
- Narrative Statement. A narrative explanation must be provided in cases where one or more of the following are reflected in the project plan:
 1. Indirect costs are included in the budget, which requires identifying the following: cognizant approval agency, approved cost rate and base, and date of approval.
 2. “Other” costs are included in the budget, which requires identifying the specific cost items and amounts.
 3. Administrative costs related to processing payments for qualified health insurance coverage and/or supportive services that are included in the budget, which requires explaining how the administrative cost estimate was derived (i.e. based on the number of check payment and check processing costs).

16. Existing HCTC Grants. Current HCTC gap filler grantees are required to submit a grant modification request in the following circumstances:

1. To expand the approved target group within the original scope of the grant.
2. To increase the number of participants receiving healthcare premiums and/or the amount of expenditures for health insurance premiums.
3. To extend the grant period.

4. To change the performance period of the project.
5. To adjust when actual end-of-project expenditures will be less than the amount awarded for project objectives.
6. When the amount to be realigned is at least 10 percent of the total grant amount.

For financial modifications, or to change the original scope of the grant, existing HCTC NEG grantees will have to submit a new HCTC NEG application. There are specific guidelines and requirements associated with the use and reporting of Recovery Act funds, as outlined in TEGL No. 17-08 and OMB guidance (OMB# M-09-21), so separate grants are necessary to ensure that the use of these funds will be captured and reported separately from previous funding.

17. Funding Approach. Applications for HCTC NEG funds can be funded in whole or in part at the Secretary's discretion. Applicants may request full or partial funding; however, in order to ensure the effective use of NEG resources, requests for HCTC NEG funds, when approved, will generally be funded on an incremental basis. Where the grant award reflects an incremental funding action, the grantee will be required to submit, at a later date, supplemental information to request the balance of funds. This information will be specified in the grant award documents but will include, at a minimum, current information on actual participant levels, performance outcomes, and expenditures.

18. Reporting. Accountability guidelines for the Recovery Act emphasize data quality, streamlining data collection, and collection of information that shows measurable program outputs. They also emphasize transparency and frequent communication with the American public about the nature of Recovery Act investments. Information on specific HCTC NEG, such as award amount and State will be provided by the Department to OMB for posting on www.recovery.gov.

HCTC NEG grantees are not subject to the performance reporting outlined for other Recovery Act NEG in TEGL No. 24-08, due to the unique nature of HCTC NEG: the provision of health coverage assistance rather than traditional employment and training services. However, Recovery Act-funded HCTC NEG grantees will be required to comply with the reporting requirements under Section 1512 of the Recovery Act, as outlined in TEGL No. 1-09, Changes 1 and 2.

Recovery Act-funded HCTC NEG grantees will also continue to submit a Quarterly Progress Report and a Financial Status Report to the Department each quarter. A summary of these existing HCTC NEG reporting requirements is provided below.

Quarterly Progress Reports (ETA 9104) (OMB 1205-0439) - Grantees must submit a Quarterly Progress Report until all participants have exited NEG-funded services. The Quarterly Progress Report provides a detailed account of activities undertaken that quarter, including the number of participants receiving health coverage payments, expenditures on health coverage payments, and expenditures for processing payments. The report serves as a regular communication vehicle between the grantee and the Department regarding the progress of the project towards meeting the specific results and deliverables outlined in the NEG application.

Quarterly Financial Reports (ETA 9130) (OMB 1205-0461) - Grantees must submit a Financial Status Report quarterly until the grant's period of performance has expired. Financial Status Reports track the cumulative amount of grant funds that have been expended.

19. Project Oversight. Pursuant to WIA regulations 20 CFR 667.410, each state recipient and sub-recipient of Recovery Act funds must conduct regular oversight and monitoring of its WIA activities in order to determine that expenditures have been made against cost categories and within cost limitations and to otherwise monitor compliance. Oversight and monitoring should determine whether or not there is compliance with programmatic, accountability, and transparency requirements of the Recovery Act, as well as the WIA, and the regulations and approach in the use of the Secretary's discretionary NEG resources. However, the Department is responsible for monitoring and oversight of the use of public funds and will conduct its normal Regional Office monitoring of these resources. The Department will also work with NEG grantees to ensure that necessary and appropriate systems and safeguards are in place to protect public funds, taking into account the unique needs of each situation.

20. Paperwork Reduction Act Statement. This TEGL does not change collections of information currently approved under OMB Control Nos. 1205-0439, 1205-0461, and 1545-1842.

21. Action Requested. Recovery Act-funded HCTC NEG applications must be submitted in accordance with these policies and appropriate NEG Application Guidelines. State Administrators are asked to provide this information to appropriate staff.

22. Inquiries. Questions regarding this notice should be directed to Erica Cantor, Administrator, Office of National Response at (202) 693-3500, or to the appropriate Regional Administrator. SWAs can also contact the HCTC Customer Contact Center at (866) 628-HCTC for help in determining the HCTC-eligible population. A caller should identify herself/himself as a representative of the SWA and allow for time to receive a final call.

23. Attachment.

Sections 201, 202, and 203 of the Trade Act of 2002