



Category/Subject: Reallocation of the Workforce Investment Act Funds to Local Areas
Colorado Policy Guidance Letter#: FIN-2002-01 (prior #02-19-F)
Revise/Replace: #98-14-F7
Distribution: All Workforce and Subrecipient Administrative and Financial Staff, Colorado Department of Labor and Employment - Employment and Training Program and Financial Staff.
Date: May 24, 2002

**I. REFERENCE(S):**

Workforce Investment Act (WIA) of 1998, Sections 127(c)(5), 128(c), 132(c)(5), 133(b)(4), 133(c), and 189(g)(2); WIA Final Rules (August 11, 2000), 20 Code of Federal Regulations (CFR) Part 660.300, 667.107, and 667.160; 29 CFR Part 97 Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments; Colorado Department of Labor and Employment (CDLE) Program Guidance Letters.

**II. PURPOSE:**

To provide procedures for the recapture and reallocation of local area Workforce Investment Act funds for youth, adult, and dislocated worker activities.

**III. BACKGROUND:**

The Governor (through the State Administrative Office, CDLE) may recapture and reallocate the excess unobligated formula allocated funds for the youth, adult, and dislocated workers funding streams. The recaptured funds may be reallocated to eligible subrecipients within the State in accordance with Sections 128(c) and 133(c) of the WIA of 1998, and 20 CFR 667.160 of the WIA Final Rules.

In addition, Section 189(g)(2) of the WIA and 20 CFR 667.107 states that youth, adult, and dislocated workers formula allocated funds are available for expenditure during the program year awarded and the succeeding program year. Funds that are not expended during this period must be returned to the State (CDLE) and are available for expenditure by the State and subrecipients only during the third program year of availability.

#### **IV. POLICY/ACTION:**

There are two opportunities for the CDLE to recapture and reallocate formula funds. The CDLE may recapture and reallocate program funds at the end of the first year of the program period based on obligations. Additionally, the CDLE must recapture all WIA funds at the end of the second year of the program period based on expenditures.

##### **A. Recapture and Reallocation at the End of the First Year**

At this time, the CDLE determined that it will not impose an obligation requirement on the local areas and therefore will not recapture and reallocate any excess unobligated youth, adult or dislocated worker formula funds at the end of the first year of the program period. For example, Local Areas have two years to spend WIA funds for youth, adult, and dislocated worker activities. For Program Year 2001 (PY01) WIA funds, the first year of the program period ends on June 30, 2002 and the second year ends on June 30, 2003. The PY01 WIA funds will not be recaptured and reallocated until June 30, 2003.

##### **B. Recapture and Reallocation at the End of the Second Year**

At the end of the second year of a program year's allocation period, the CDLE will recapture all WIA youth, adult and dislocated worker funds that have not been expended. This includes both unspent program and administrative funds. In accordance with 20 CFR 667.107(b)(2), funds recaptured may be used for statewide projects, or distributed to other subrecipients that have fully expended their funds.

The CDLE will determine the disposition of recaptured funds based on the total amount of funds recaptured from each funding stream. If recaptured funds are redistributed to subrecipients, the redistribution will be made to those subrecipients that have fully expended their program years' allocations for each of the funding stream. Funds expended include expenses paid and accrued expenditures.

##### **C. Transfers Between Funding Streams**

Local Areas may transfer up to twenty (20) percent of WIA Adult and 20 percent of WIA dislocated worker funds between the two programs. Budget transfers between programs require a formal modification. Transfers may only be made between funding streams from the same program year. A formal modification requires the local area to complete an Expenditure Authorization (EA) form, including a budget narrative, and budget information summary (BIS) showing the transfer or change in funding. The State Controller or State Controller's designee must approve the EA.

Funds may not be transferred from the WIA Youth funding stream.

#### **D. Definitions**

*Accrued Expenditures* mean the charges incurred by the grantee during a given period requiring the provision of funds for: (1) goods and other tangible property received; (2) services performed by employee, contractors, subgrantees, subcontractors, and other payees; and (3) other amounts becoming owed under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit payments.

*Excess unobligated funds* means funds in excess of twenty (20) percent that have not been obligated at the end of the program year in which the funds were allocated.

*Obligations* means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a funding period that will require payment by the recipient or subrecipient during the same or a future period.

*Unobligated balance* means the portion of funds authorized by the Federal agency that has not been obligated by the grantee and is determined by deducting the cumulative obligations from the cumulative funds authorized.

#### **V. IMPLEMENTATION DATE:**

This PGL is effective immediately.

#### **VI. INQUIRIES:**

Inquiries concerning this PGL should be directed to Keith McNeal at (303) 318-.8158.

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