

WORKFORCE SERVICES  
**DIRECTIVE**

Number: WSD15-08

Date: November 18, 2015  
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TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: FUNDS UTILIZATION REQUIREMENTS FOR WIOA FUNDS

**EXECUTIVE SUMMARY**

Purpose

The Employment Development Department is issuing state policy and procedures for the recapture and reallocation of underobligated *Workforce Innovation and Opportunity Act* (WIOA) Title I formula funds.

Scope

Funds utilization requirements are applicable to adult, youth, and dislocated worker funds allocated by formula to Local Workforce Development Areas (Local Areas). The funds utilization requirement does not apply to Rapid Response 25 percent funds or projects funded using the Governor's discretionary funds.

Effective Date

This directive is effective on the date of issuance.

**REFERENCES**

- WIOA Sections 127(c) and 132(c)
- WIOA Sections 128(c) and 133(c)
- Title 2 *Code of Federal Regulations* (CFR) Part 200

**STATE-IMPOSED REQUIREMENTS**

This policy contains state-imposed requirements. These requirements are in ***bold italic*** type.

**FILING INSTRUCTIONS**

This directive replaces *Workforce Investment Act Directive* WIAD 01-10, dated February 1, 2002, and finalizes Workforce Services Draft Directive WSDD-126, dated September 14, 2015. The Central Office Workforce Services Division received two comments during the comment period. These comments did not result in any changes to the directive. A summary of comments is provided as Attachment 1. Retain this directive until further notice.

## BACKGROUND

On July 22, 2014, President Obama signed the WIOA, which replaced the *Workforce Investment Act (WIA)*. On an annual basis, federal funds are provided to the Department of Labor (DOL), which is the designated agency for administering the WIOA program. The Secretary of Labor allocates these funds to the states and, as required by law, has implemented the 80 percent obligation rate requirement for each of the states. On receipt of funds, the Governor of California allocates them to the Local Areas by formula. In accordance with the WIOA, the Governor has the option to establish an 80 percent obligation rate requirement on formula funds provided to each Local Area.

## POLICY AND PROCEDURES

It is the responsibility of each Local Area to ensure that funds are obligated appropriately at the level set by the state. The EDD will work with the Local Areas on a case-by-case basis to assist them in resolving any problems with obligation of funds.

### Recapture Provisions, Title I – Youth, Adult, and Dislocated Worker

***The Local Areas are required to obligate at least 80 percent of their program dollars by the end of the first program year for which they were allotted. The determination regarding whether a Local Area has obligated 80 percent of its funds will occur after the first quarter of each program year for the prior program year.***

A sample calculation is as follows:

- \$100,000 Allocation
- (\$10,000) Administration Reserve of 10 percent
- \$90,000 Remaining to obligate

$\$90,000 \times .80 = \$72,000$  (required obligation amount).

Obligations means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.

For these programs, an allocation to a Local Area includes the following:

- The initial allocation for that program year.
- Any increase or decrease to the initial allocation. This includes any funds transferred to or from another fund source, (e.g., from adult to dislocated worker). Therefore, if the allocation is increased or decreased, the 80 percent factor adjusts accordingly.

Funds utilization analysis will be based on June 30 expenditure reports submitted to the EDD by the end of the first quarter of each program year (due October 20). If the filing date for first quarter reports is missed, then calculations will be based on the latest financial information available to EDD as of October 20 for the previous program year. Any unobligated funds that exceed 20 percent of the prior year's program allocation are considered excess and may be recaptured/returned to the state by means of reduction, via unilateral subgrant modification, to the prior program year's allocation. For example, excess unobligated PY 2014-15 funds would be deobligated from the PY 2014-15 allocation. ***Recapture/reallocation will be calculated for funds allocated for PY 2014-15, based on financial reports submitted to EDD as of October 20, 2015, for the period ending June 30, 2015. Funds utilization will be computed separately for each funding stream.***

### Reallocation

To be eligible to receive youth, adult, or dislocated worker funds under the reallocation procedures, a Local Area must meet the 80 percent minimum obligation requirement. A Local Area's eligibility to receive a reallocation must be separately determined for each funding stream. An equitable share amount based on the original allocation percentage will be used to reallocate funds. Each Local Area will be given the opportunity to accept or decline the reallocated funds.

### Effect of Recapture/Reallocation on Administrative Funds

Based on direction from the DOL, the loss of a portion of a Local Area's allocation to recapture does not result in the loss of administrative funds available to the Local Area. Conversely, the acceptance of a reallocation of recaptured funds does not result in an increase of the administrative funds available to the Local Area. Cost compliance of administrative limits is measured at the end of the two-year life of the funds.

### **ACTION**

It is the Local Area's responsibility to establish, maintain and exercise ongoing controls to ensure compliance with these requirements.

### **INQUIRIES**

Please direct questions regarding this directive to your assigned Regional Advisor.

/S/ JOSÉ LUIS MÁRQUEZ, Chief  
Central Office Workforce Services Division

Attachment is available on the internet:

1. [Summary of Comments: Draft Directive Funds Utilization Requirements for WIOA Funds \(WSDD-126\)](#)