EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WOTC
	CORRESPONDENCE SYMBOL OWI
	DATE May 15, 2013

ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 30-12

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE LIAISONS

FROM: JANE OATES
Assistant Secretary

SUBJECT: Work Opportunity Tax Credit (WOTC) Funding Allotments for Fiscal Year (FY) 2013

1. **Purpose.** To provide the State Workforce Agencies (SWAs) with final funding allotments for the administration of the WOTC program through September 30, 2013.

2. **References.**
   - The Consolidated and Further Continuing Appropriations Act, 2013, Division F, Title V, Labor, Health and Human Services, and Education, and Related Agencies (Pub. L. 113-6)
   - Sections 309 and 327 of the American Taxpayer Relief Act of 2012 (Pub. L. 112-240)
   - Section 261 of the VOW to Hire Heroes Act of 2011 (Pub. L. 112-56)
   - Section 51 of the Internal Revenue Code of 1986, as amended
   - Wagner-Peyser Act, Section 7(d)
   - ETA Handbook No. 408, November 2002, Third Edition (the Handbook)
   - August 2009 Addendum to the Handbook

3. **Background.** In November 2012 and January 2013, the Employment and Training Administration (ETA) issued to SWAs the program funds provided by Congress under Public Law 112-175, the then-enacted continuing resolution for FY 2013. On March 26, Public Law 113-6, the Consolidated and Further Continuing Appropriations Act was enacted, which provides Department of Labor appropriations for the remainder of FY 2013.

   Sequestration is a set of automatic, largely across-the-board spending reductions. In August 2011, as part of the Budget Control Act, bipartisan majorities in both the House of Representatives and Senate voted for sequestration as a mechanism to compel the Congress to act on deficit reduction. However, due to the failure to reach a deal on balanced deficit reduction to avoid sequestration, the President on March 1, 2013, was required by law to issue a sequestration order canceling approximately $85 billion in budgetary resources across the Federal Government for the remainder of the Federal fiscal year.

RESCISSIONS	EXPIRATION DATE
None	Continuing

Both defense and non-defense programs are subject to reductions under sequestration unless exempted by law. The sequestration order requires a 5.0 percent reduction in non-exempt FY 2013 nondefense discretionary funding, which includes the Wagner-Peyser Employment Service program activities.

4. **Funding.** ETA is now issuing the balance of FY 2013 funding to the SWAs for WOTC program activities through September 30, 2013. The appropriated level for FY 2013 totals $18,484,997, the same funding level as FY 2012. Because Congress appropriates funds for a combination of Employment Service technical assistance and training functions, including WOTC, as a single activity rather than as separate programs, projects, and activities, the Department of Labor has flexibility in determining how to implement the sequestration, and has chosen to maintain the FY 2012 level of funds for WOTC state allotments in FY 2013.

   After allocating $20,000 for the Virgin Islands, ETA distributes funds to states by administrative formula with a $66,000 minimum allotment and a 95 percent stop-loss/120 percent stop-gain from the prior year allotment share percentage. The FY 2013 formula allotment data factors and related percentages are as follows:

   (1) Fifty percent based on each state's relative share of total certifications issued from October 1, 2011 through September 30, 2012 for the WOTC program;

   (2) Thirty percent based on each state's relative share of the Civilian Labor Force, averages for the 12-month period, from October 1, 2011 through September 30, 2012; and

   (3) Twenty percent based on each state's relative share of adult recipients of Temporary Assistance for Needy Families, averages for the 12-month period, from October 1, 2010 through September 30, 2011.

   Attachment I shows the distribution of full FY 2013 WOTC funding amounts by state according to this formula, including those funds for the fiscal year previously awarded.

5. **General Administration.** SWAs are responsible for administering the WOTC program, including the certification process, promoting the program to employers, reducing and eliminating existing backlogs, and reporting program data on a quarterly basis.

   In addition, SWAs must administer WOTC in accordance with the policies and procedural guidance set forth in the November 2002, Third Edition of ETA Handbook No. 408 (Handbook); the August 2009 Addendum to this Handbook; and Section 51 of the Internal Revenue Code of 1986, as amended. Current Federal Regulations at 20 CFR 658.400 Subpart E cover the complaint procedures. Other applicable requirements are listed in the Statement of Work (Attachment II).

6. **Reporting.** SWAs must report expenditures quarterly using ETA Financial Report (ETA Form 9130). These reports should cover all WOTC grant funds. Quarterly financial reports

are due within 45 days following the end of each quarter. Timely submission of these reports is extremely important to ensure proper accounting of funds. ETA's Regional Offices will conduct a financial reconciliation at the end of the fiscal year. Questions regarding financial management and reporting for FY 2013 or for existing prior year fund balances should be addressed to the appropriate Regional Office.

SWAs should use the Web-based Enterprise Business Service System Tax Credit Reporting System to report quarterly program activities and outcomes using ETA Form 9058. Quarterly performance reports are due within 45 days following the end of each quarter. Timely submission of these reports is very important for program management purposes and to enable ETA to respond to inquiries about program activities. Please direct questions about quarterly reporting on program activities to the appropriate Regional Office.

7. **Action Required.** ETA requests that State Administrators promptly transmit this Training and Employment Guidance Letter to appropriate staff.

8. **Inquiries.** Please direct questions regarding these allotments to the appropriate Regional WOTC Coordinator listed on the WOTC program Web site at: http://www.doleta.gov/wotc.

9. **Attachments.**
   I. FY 2013 WOTC State Allotments
   II. WOTC Statement of Work

U. S. Department of Labor
Employment and Training Administration

Attachment I

Work Opportunity Tax Credits
FY 2013 State Allotments

State	Amount
Total	**$18,484,997**
Alabama	310,418
Alaska	66,000
Arizona	420,807
Arkansas	199,993
California	2,018,297
Colorado	218,161
Connecticut	169,092
Delaware	66,000
District of Columbia	66,000
Florida	848,461
Georgia	500,774
Hawaii	66,000
Idaho	82,950
Illinois	723,412
Indiana	430,161
Iowa	252,668
Kansas	186,763
Kentucky	300,111
Louisiana	363,237
Maine	108,872
Maryland	300,211
Massachusetts	295,709
Michigan	629,182
Minnesota	236,332
Mississippi	179,267
Missouri	414,641
Montana	66,000
Nebraska	139,612
Nevada	117,727
New Hampshire	66,000
New Jersey	391,690
New Mexico	128,149
New York	936,599
North Carolina	536,473
North Dakota	66,000
Ohio	1,024,940
Oklahoma	270,646
Oregon	229,276
Pennsylvania	804,589
Puerto Rico	88,799
Rhode Island	66,000
South Carolina	274,213
South Dakota	66,000
Tennessee	767,168
Texas	1,314,742
Utah	160,238
Vermont	66,000
Virginia	424,710
Washington	429,781
West Virginia	173,927
Wisconsin	336,199
Wyoming	66,000
State Total	**18,464,997**
Virgin Islands	**20,000**

Work Opportunity Tax Credit Program
Statement of Work

State Workforce Agencies (SWAs) are to use Fiscal Year 2013 funds announced herein for:

1. Determining eligibility of individuals as members of targeted groups, on a timely basis, and performing a "quality review" by a second staff person for each determination within 48 hours of receipt.

2. Issuing employer certifications, denials, or notices of invalidation for tax credits on a timely basis and in accordance with the policies and procedures set forth in the ETA Handbook No. 408, Third Edition, November 2002 (the Handbook) and the August 2009 Addendum to the Handbook.

3. Developing working agreements with partner agencies in the American Job Center network (also known as the One-Stop Career Center system) and coordinating efforts to promote WOTC to employers and job seekers and other Workforce Investment Act (WIA) partners.

4. Establishing and implementing an Appeals Resolution and Policy Clarification System in accordance with the guidelines provided in the Handbook (Chapter VIII, Section F, pp.VIII-5-8).

5. Establishing and maintaining appropriate forms review, record keeping, and reporting capability related to the orderly management of WOTC certification requests.

6. Establishing and maintaining an orderly system for regularly verifying the eligibility of a random sample of individuals certified under the WOTC Program and initiating effective corrective action when appropriate as indicated by results of such activities.

7. Negotiating formal cooperative agreements with local WIA areas, State Vocational Rehabilitation Agencies, Veterans Administration and related groups, Employment Networks and other state and local agencies, and organizations for the purposes of issuing Conditional Certifications where appropriate, and/or augmenting WOTC outreach activities.

8. Negotiating formal cooperative agreements with appropriate state agencies, including the Departments of Health and Human Services, Agriculture, Housing and Urban Development and the Social Security Administration to expedite verification of information provided to the SWA by participating target group members.

9. Training state and participating agency staff, and providing monitoring and technical assistance to these agencies, as appropriate, for conducting target group preliminary eligibility determinations and issuing Conditional Certifications.

10. Cooperating with employment and training organizations already working with the private sector such as: veteran organizations, employer committees, and workforce investment boards to inform employers about the tax benefits to be derived from participation and the eligibility requirements under the WOTC Program.

Grant Agreement Conditions.

By entering into this agreement, the SWA agrees to the following conditions:

1. The SWA must adhere to provisions of the Internal Revenue Code of 1986, Section 51, as amended, in conducting the program. By law, the SWAs are designated as the only agencies that can issue a Certification. The SWAs can enter into cooperative agreements with certain participating agencies and together provide other WOTC related program services (e.g., issuing Conditional Certifications, outreach activities).

2. The most current edition of the WOTC program Handbook and its updated August 2009 Addendum shall guide conditions and standards of performance for administration and operation of the program. The SWA shall maintain a verification and quality control process in accordance with guidance in this Handbook

3. ETA will review funding utilization against the quarterly spending plan and when expenditures are substantially below plan. ETA may de-obligate funds for redistribution.