

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WOTC
	CORRESPONDENCE SYMBOL OWI
	DATE March 31, 2021

ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 06-20, CHANGE 1

TO: STATE WORKFORCE DEVELOPMENT AGENCIES
STATE WORKFORCE ADMINISTRATORS
WORK OPPORTUNITY TAX CREDIT COORDINATORS

FROM: SUZAN G. LEVINE 
Principal Deputy Assistant Secretary

SUBJECT: Change 1 to Training and Employment Guidance Letter No. 06-20, *Work Opportunity Tax Credit (WOTC) Funding Allotments for Fiscal Year 2021*

1. **Purpose.** This Change 1 to the Training and Employment Guidance Letter (TEGL) 06-20 conveys the remaining balance for WOTC and explains application requirements for State Workforce Agencies (SWA) based on funding appropriated for Fiscal Year (FY) 2021 through September 30, 2022. Additionally, this TEGL announces 12 states selected to receive additional FY 2021 backlog funding and provides instructions to those states on how to proceed. The remainder of TEGL No. 06-20 remains the same.
2. **Action Requested.** Grantees must meet the application requirements detailed in section 4 of this TEGL within 30 calendar days from the date of this TEGL issuance. Additionally, for the 12 states selected to receive additional FY 2021 backlog awards, grantees must meet the application requirements and submit the required application material detailed in section 4 within 15 calendar days from the date of this TEGL issuance.
3. **Summary and Background.**
 - a. Summary – On November 16, 2020, the Department issued TEGL No. 06-20, which announced the initial funding allotments of \$3,647,090 under the *Continuing Appropriations Act, 2021 and Other Extensions Act* (Public Law 116-159). This Change 1 provides the full year allotments and state balances for FY 2021, as authorized under the *Consolidated Appropriations Act, 2021* (P.L. 116-260). The amounts are listed on Attachment I “Work Opportunity Tax Credit FY 2021 State Allotments and Balance after Dissemination to States under Continuing Resolution (CR) 1.” ETA has available grant funds totaling \$18,485,000 for normal operations in FY 2021. This Change 1 announces the remaining balance of \$14,837,910 for normal operations in FY 2021. Additionally, the *Consolidated Appropriations Act, 2021* authorized an additional \$2,500,000 in funding to support WOTC efforts to

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reduce processing backlogs and assist states in adopting or modernizing information technology for processing of certification requests. This Change 1 announces the 12 states selected to receive FY 2021 backlog awards.

- b. Background – The U.S. Departments of Labor and Treasury jointly administer WOTC. The Department of Treasury, through the Internal Revenue Service (IRS), administers all tax-related provisions and requirements of the Federal tax credit. The Department of Labor, through the Employment and Training Administration (ETA), awards grants to states for administration of WOTC. WOTC is authorized until December 31, 2025 under Section 113 of Division EE, Title 3 -- *Consolidated Appropriations Act, 2021*.

- 4. **Details.** States must enter the remaining *balance to state* amount (provided in Attachment I) on their SF-424 Form - Application for Federal Assistance (OMB Control No. 4040-0004) as their request for FY 2020 funding.

After allocating \$20,000 to the Virgin Islands, ETA distributes the remaining funds to the SWAs by administrative formula with a \$66,000 minimum allotment and a 95 percent stop-loss/120 percent stop-gain from the previous year allotment share percentage. The administrative formula is calculated as follows:

- a. 50 percent is based on each state's relative share of total WOTC certifications issued from October 1, 2019 through September 30, 2020;
- b. 30 percent is based on each state's relative share of the Civilian Labor Force averages for the 12-month period from October 1, 2019 through September 30, 2020; and
- c. 20 percent is based on each state's relative share of adult recipients of Temporary Assistance for Needy Families averages from October 1, 2018 through September 30, 2019.

Application Requirements for FY 2021 Funding. ETA requires grantees to submit an electronically signed copy of the SF-424 through Grants.gov for the Change 1, ETA-WOTC-TEGL-06-20-2021 at <https://www.grants.gov/>, within 30 calendar days from the date of this TEGL's issuance. The official, electronically signed SF-424 Form must reflect the remaining balance to state amount listed in Attachment I for the requested estimated funding total in item #18 and the Catalog of Federal Domestic Assistance Number, 17.271 for item #11.

Each applicant must have a Dun and Bradstreet Data Universal Numbering System (DUNS) number available and must be registered with the System for Award Management (SAM) at: <https://www.sam.gov> before submitting an application. To submit the required documents, applicants must follow the "Apply for Grants" link on Grants.gov and download the links for the grant application package. For this grant opportunity, applicants should not follow the "Find Grants" link, as this is not a competitive funding opportunity. If applicants encounter a problem with Grants.gov and do not find an answer in any of the

other resources, call 1-800-518-4726 or 1-606-545-5035 to speak to a Customer Support Representative or email: support@grants.gov.

General Administration. SWAs are responsible for using the FY 2021 funds to conduct the WOTC activities outlined in Attachment II, Statement of Work through September 30, 2022. SWAs must enter the remaining balance to the state amount (provided in Attachment I) on their SF-424 Form - Application for Federal Assistance (OMB Control No. 4040-0004), as their request for remaining FY 2021 funding, and submit an **electronically signed copy of the SF-424 through Grants.gov for the Change 1, ETA-WOTC-TEGL-06-20-2021 at www.grants.gov, within 30 calendar days from the date of this TEGL's issuance.**

States selected for additional backlog funding must enter the award amount for their assigned funding amount on an separate SF-424 Form - Application for Federal Assistance (OMB Control No. 4040-0004), and submit an **electronically signed copy of the SF-424 through Grants.gov for the Change 1, ETA-WOTC-TEGL-06-20-2021 at www.grants.gov, within 15 calendar days from the date of this TEGL's issuance.**

FY 2021 WOTC Backlog Awards. ETA will distribute a second set of WOTC backlog funds to approximately 12 new states with the most critical needs to alleviate processing backlogs and assist states in adopting or modernizing information technology for processing of certification requests. To inform the selection process, ETA analyzed the following data:

- a. FY 2020 backlog total and the percentage ratio it represents of the state's total workload;
- b. FY 2020 financial reports; and
- c. FY 2020 qualitative data based on states' narratives, which explain how the states could use this award to make improvements to their existing systems or procedures and reduce their backlog.

ETA carefully reviewed these three sources of data to gain an understanding of the states' needs and any contributing factors that led to the states' backlog. ETA did not consider the states that received backlog funding last year because they are currently still spending FY 2020 backlog funding. ETA examined the remaining states' backlogs and information technology modernization needs to identify this second set of selected states. Additionally, ETA analyzed FY 2020 financial reports to determine a state's ability to use additional funding, and did not select states with extraordinarily low expenditure rates to receive backlog funds. Finally, ETA reviewed the narratives that states previously submitted in FY 2020. The selected states expressed interest in this additional backlog funding to help them attain staff support, enhance their current partial automated systems, and develop automated systems. Based on these factors, ETA identified 12 states with the most critical need to address backlog to receive backlog funding. Based on the availability of \$2,500,000 in funds, ETA established four funding tiers to distribute these awards to 12 states:

- Tier 1 = \$100,000
- Tier 2 = \$200,000

- Tier 3 = \$300,000

The selected states and corresponding funding amounts for these awards are as follow:

\$100,000	\$200,000	\$300,000
• Alabama • Hawaii • Louisiana • New Hampshire	• Illinois • Montana • Ohio	• Arizona • Oklahoma • North Dakota • South Dakota • Utah

Note: If a state fails to submit the required application materials timely, or decides to refuse the award, ETA reserves the right to either redistribute such funds to the other selected states and/or consider additional state(s) for an award, as appropriate. A subsequent Change TEGL will announce these funds after award, if applicable.

5. **Inquiries.** Please direct all questions to the appropriate Regional WOTC Coordinator listed on the WOTC website at: <https://www.dol.gov/agencies/eta/wotc/contact/regional-offices>.
6. **References.**
 - Section 51 of the Internal Revenue Code of 1986 as amended;
 - Training and Employment Guidance Letter 06-20;
 - P.L. 116-260 -- Consolidated Appropriations Act, 2021; and
 - P. L. 116-159 -- Continuing Appropriations Act, 2021.
7. **Attachments.**
 - Attachment I: WOTC FY 2021 State Allotments and Balance after Dissemination to States under Continuing Resolution (CR) 1
 - Attachment II: Work Opportunity Tax Credit Statement of Work

Work Opportunity Tax Credits
FY 2021 State Allotments and Balance after Dissemination to States
under Continuing Resolution (CR) 1

State	FY 2021 Full Year Allotment Amount	Obligated under CR# 1 (10/1/20 through 12/11/20)	Balance to States
Total	\$18,485,000	\$3,647,090	\$14,837,910
Alabama	282,464	58,663	223,801
Alaska	66,000	13,022	52,978
Arizona	302,064	62,734	239,330
Arkansas	143,313	27,875	115,438
California	2,511,345	494,571	2,016,774
Colorado	294,952	54,478	240,474
Connecticut	125,757	26,118	99,639
Delaware	71,024	13,482	57,542
District of Columbia	66,000	13,022	52,978
Florida	873,808	181,476	692,332
Georgia	533,963	110,896	423,067
Hawaii	66,000	13,022	52,978
Idaho	79,200	13,022	66,178
Illinois	782,418	162,496	619,922
Indiana	302,770	62,880	239,890
Iowa	242,410	50,345	192,065
Kansas	128,863	26,763	102,100
Kentucky	392,082	81,429	310,653
Louisiana	290,187	60,267	229,920
Maine	72,228	15,001	57,227
Maryland	352,949	73,302	279,647
Massachusetts	369,066	70,936	298,130
Michigan	636,709	132,234	504,475
Minnesota	261,601	52,807	208,794
Mississippi	217,864	42,278	175,586
Missouri	419,524	81,899	337,625
Montana	66,000	13,022	52,978
Nebraska	147,783	30,692	117,091
Nevada	137,465	22,601	114,864
New Hampshire	66,000	13,022	52,978
New Jersey	337,913	70,179	267,734
New Mexico	144,769	27,145	117,624
New York	1,065,362	190,746	874,616
North Carolina	502,106	104,279	397,827
North Dakota	66,000	13,022	52,978
Ohio	737,637	141,740	595,897
Oklahoma	288,444	47,425	241,019
Oregon	265,119	47,332	217,787
Pennsylvania	787,374	158,478	628,896
Puerto Rico	79,162	16,441	62,721
Rhode Island	79,200	13,022	66,178
South Carolina	266,524	51,625	214,899
South Dakota	66,000	13,022	52,978
Tennessee	724,388	150,444	573,944
Texas	1,222,663	234,242	988,421
Utah	106,306	22,078	84,228
Vermont	66,000	13,022	52,978
Virginia	419,190	68,922	350,268
Washington	397,365	82,526	314,839
West Virginia	131,155	23,964	107,191
Wisconsin	344,514	66,113	278,401
Wyoming	66,000	13,022	52,978
State Total	18,465,000	3,643,144	14,821,856
Virgin Islands	20,000	3,946	16,054

Work Opportunity Tax Credit (WOTC)

Statement of Work

State Workforce Development Agencies, also known as State Workforce Agencies (SWA), are to use Fiscal Year 2020 funds to realize the following responsibilities:

1. Designate a state coordinator, who oversees the administration of WOTC, for each state grant.
2. Determine 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.
3. Issue employer certifications, denials, or notices of invalidation for tax credits on a timely basis and in accordance with the policies and procedures set forth by the Employment and Training Administration (ETA).
4. Develop a backlog reduction plan which includes an estimated timeline to reduce and eliminate existing backlogs based on current policies and procedures, and notify your regional coordinator prior to implementation.
5. Develop 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 Innovation and Opportunity Act (WIOA) partners.
6. Develop working agreements with other SWAs for the timely and orderly processing of “out of state” Certification Requests (i.e., applications) requiring SWAs to provide available documentation and records for WOTC potentially eligible applicants/new hires relocating and working in another state.
7. Establish and implement an appeals resolution process in accordance with the guidelines provided by ETA.
8. Establish and maintain appropriate forms’ review, record keeping, and reporting capability related to the orderly management of WOTC certification requests.
9. Establish and maintain an orderly system for regularly verifying the eligibility of a random sample of individuals certified under WOTC and initiating effective corrective action when appropriate as indicated by results of such activities.
10. Negotiate formal cooperative agreements with local workforce 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.

11. Negotiate formal cooperative agreements with appropriate state agencies to expedite verification of information provided to the SWA by participating target group members.
12. Train state and participating agency staff and provide monitoring and technical assistance to these agencies, as appropriate, for conducting target group preliminary eligibility determinations and issuing Conditional Certifications.
13. Cooperate with employment and training organizations already working with the private sector such as: veteran organizations, employer committees, and workforce development boards to inform employers about the tax benefits to be derived from participation and the eligibility requirements under WOTC.
14. Assure that all data exchanges conducted through or during the course of performance of this grant will be conducted in a manner consistent with applicable Federal law and TEGL NO. 39-11 (issued June 28, 2012). All such activity conducted by ETA and/or recipient/s will be performed in a manner consistent with applicable state and Federal laws.

Other Grant Agreement Conditions

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

- The SWA must adhere to provisions of the Internal Revenue Code of 1986, Section 51, as amended, in administering WOTC. Law designates the SWAs as the only agencies that can issue a Certification (26 USC sec. 51(d)(12)). The SWAs can enter into cooperative agreements with certain participating agencies and together provide other WOTC related services (e.g., outreach activities).
- ETA will review funding use against the quarterly spending plan. When expenditures are substantially below plan, ETA may de-obligate funds for redistribution.