



STATE OF TENNESSEE
DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
DIVISION OF EMPLOYMENT AND WORKFORCE DEVELOPMENT
Employment and Training Section
Davy Crockett Tower
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Nashville, TN 37245
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March 16, 2004

Workforce Investment Act Memorandum Number E & T 04-26

Topic: Deobligation and Reallocation of WIA Title I Funds

Subject: Deobligation and Reallocation of funds from one area of the state to another area

Purpose: To meet the funding needs of LWIAs that experience substantial layoffs or high unemployment and to use state fund allocations before applying for National Reserve grants.

Reference: U.S. Department of Labor Employment and Training Administration financial management practices.

Background: Due to frequent requests for additional statewide funds, a policy that will allow equitable distribution of unobligated funds is essential. At the end of the second quarter ending December 31st and the 4th quarter ending June 30th of each program year, the state will evaluate the expenditures and obligations of each LWIA in order to meet its needs for WIA funds. The results of these evaluations will be used to indicate which LWIA(s) will be required to deobligate funds and which LWIA(s) may need additional funds.

The State will allow LWIAs to voluntarily deobligate funds at anytime throughout the year. However, involuntary deobligation will occur twice during a program year. Deobligated funds will be reallocated a month after the deobligation process has ended.

Instructions: Starting with Program Year 2005, which begins June 30, 2004, and thereafter, the deobligation of funds will occur on December 31st and June 30th, twice during a program year, for all open contracts having unexpended funds based on expenditures and accrual of expenditures of funds unless sufficient justification, with supporting documentation, is submitted. Reallocation of deobligated funds will occur twice a month after the deobligation process ends.

Process for Deobligation of Funds:

The process for deobligation of funds during a program year will occur on February 28th and August 31st.

First phase of Deobligation:

The first phase of the deobligation process will take place after the monthly expenditure report ending December 31st has been reported. Each LWIA is required to show an expenditure rate of 40% by December 31st for all formula funds received between July 1st and October 31st of that program year. For funds made available the previous year, the expenditures must reflect 90% by December 31st. For funds made available for two years, the expenditures must reflect 100%.

Second phase of Deobligation:

The second deobligation process will take place after the monthly expenditure report ending June 30th has been reported. Each LWIA must show an expenditure rate of 70% for formula funds. For funds made available the previous year the expenditures must reflect 100% by June 30th.

Exception:

Since the receipt date of statewide funds varies during a program year, all statewide funds that have not been expended as indicated on the contract ending date will be deobligated.

Methodology for Deobligation of Funds

1. For example if the LWIA has a total of \$1,000,000 available in formula funds July through October of that program year, the expenditure reported through December 31st must reflect 40% or \$400,000. If the expenditure reported is only \$200,000 the LWIA will deobligate \$200,000. If the LWIA has not spent 70% or \$700,000 by the end of June but shows an expenditure rate of \$650,000, the LWIA will deobligate \$50,000. The same process of deobligation methodology will be used for funds received the previous year, which require 90% expenditures level at the end of December (a year and one half later) of funding availability and 100% at the end of June 30th the second year of the contract period.
2. An LWIA required to deobligate funds will have an opportunity to present its case to the state to avoid the deobligation.

The review and the decision to allow the LWIA either to retain or deobligate funds will be made within 10 days after the receipt of justifications from a LWIA.

3. To receive deobligated funds, the LWIA must show that it has met all the expenditure requirement rates (for current and previous funds.)

To apply for deobligated funds, LWIAs must show the need for additional funds (using the procedure outlined in E&T memorandum 0-13 or 02-22) and forward the request to the Employment and Training section of TDOLWD.

4. The decision for approval or denial for funding requests will be made within 10 working days of the receipt of the application.

Contact: For questions regarding this policy, please contact Elaine Perryman Administrator, Employment and Training, Workforce Development at (615) 741-1031.

Effective Date: June 30, 2004

Expiration Date: Indefinite

Approved: Elaine S. Perryman
Elaine S. Perryman, Administrator

Date: 3/16/04

Approved: James G. Neely
James G. Neely, Commissioner

Date: 3/17/04