


EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WIA
	CORRESPONDENCE SYMBOL OWI
	DATE December 11, 2007

TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 13-07

TO: ALL STATE WORKFORCE AGENCIES
 ALL STATE WORKFORCE LIAISONS
 ALL STATE RAPID RESPONSE COORDINATORS

FROM: EMILY STOVER DeROCCO 
 Assistant Secretary

SUBJECT: Use of Workforce Investment Act (WIA) Funds for Workforce Development Activities in Support of Economic Development

- Purpose.** The purpose of this Training and Employment Guidance Letter (TEGL) is to highlight workforce investment activities allowable under WIA in support of talent development strategies that drive state and regional economic growth, and to specifically provide guidance on the interpretation of sections of the Workforce Investment Act of 1998 that reference allowable activities and prohibitions related to economic development.
- References.** Workforce Investment Act of 1998, Public Law 105-220, 29 U.S.C. 2931, Section 112(b)(4)(c) and Section 181; 20 CFR parts 667.262 and 667.264.
- Background.** The U.S. economy and its labor markets are undergoing changes of historic proportion. Globalization has forced change in every region in the country and impacted every aspect of our economy. While global competition is typically seen as a national challenge, the front lines of the battlefield are regional, where businesses create a competitive advantage by collaborating with researchers, entrepreneurs, and government entities. That advantage stems from the ability to transform new ideas and knowledge into advanced, high quality products or services – in other words, to innovate. Regions that will be most successful will connect three key elements: talent, infrastructure, and investment. In particular, they will connect workforce skills and lifelong learning strategies; regional infrastructure and economic development strategies; and investment and entrepreneurship strategies.

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Entrepreneurship plays a critical role in fueling innovation, as entrepreneurs account for more than half of all technological innovation that powers America's competitiveness.

Maintaining America's competitive position in the global economy requires a workforce with post-secondary education credentials, a capacity to work in a high-technology environment, and the opportunity to engage in lifelong learning to keep pace with change. The workforce investment system must operate as a talent development system; it is no longer defined only as a job training system. A talent development system not only meets the needs of industry, but also contributes to economic prosperity by collaborating with economic development to identify emerging industries that it can help foster and grow. This supports the Department's goal of an educated and prepared workforce.

The Employment and Training Administration's (ETA) current policies and strategic priorities reflect the new focus on the regional economy as the vortex of innovation and economic growth. In February 2006, ETA launched the Workforce Innovation in Regional Economic Development (WIRED) Initiative focusing on the role of talent development in driving regional economic competitiveness, increased job growth, and new opportunities for American workers. The WIRED framework brings together all the key players in a region to leverage their collective public and private sector assets and resources in order to devise strategies that focus on infrastructure, investment, and talent development that will optimize innovation and successful regional economic transformation.

Given the fundamental premise that talent development drives economic prosperity, the workforce system must fully connect to and align with state and regional economic development and growth strategies. The WIRED framework envisions full integration of workforce development, economic development, and education systems in support of economic competitiveness.

4. **Foundational Statutory and Regulatory Principles Guiding Use of WIA Funds Associated with Economic Development.** Below are key foundational principles to guide the workforce investment system in using WIA funds in support of economic development activities based on the WIA statute and regulations:
 - a. The WIA statute and regulations recognize that workforce development is key to driving the economic health and growth of states and regions. In the development of the Five Year WIA and Wagner-Peyser Strategic

State Plan, one of the first WIA requirements is for states to “identify the skills and economic development needs of the state” as a guide for strategic investments of training dollars (WIA Section 112(b)(4)(C)).

- b. WIA funds may be used for employment generating activities, economic development activities, investment in revolving loan funds, capitalization of businesses, and similar activities if they are directly related to training for eligible individuals (20 CFR 667.262). The WIA regulations identify several examples of employer outreach and job development activities that are considered “directly related to training for eligible individuals,” such as WIA staff participation on economic development boards and commissions; work with economic development agencies; and other allowable WIA activities in the private sector (20 CFR 667.262). An example of “other private sector activities” authorized under this section is direct employer/business service delivery to new or expanded businesses that result from economic development efforts. Services routinely provided to employers by the workforce system, such as workforce and economic information, identification of available training resources for eligible individuals who are, or will be, employed by a business, or support in recruitment and hiring are also permissible when provided to a new or expanding business that is also being supported by economic development efforts.
- c. WIA funds may be used for strategic investments in education and training for the skills required in regionally defined high growth, high-demand occupations that are critical to the health and growth of the state or regional economy. Activities may include training for eligible job applicants, newly hired workers, or incumbent workers of new or existing businesses. However, there are restrictions on the use of WIA funding in the case of a business relocation that resulted in loss of employment for any employee at the original location. In that circumstance, training may be offered only after 120 days from the date of relocation (WIA Section 181(d)(2)). “Eligible individuals” for high growth are determined by the eligibility rules of each of the WIA funding streams. Use of waiver authority to expand flexibility as it relates to use of funding streams is discussed later in the TEGP.
- d. Rapid Response Activities may be used for layoff aversion activities to avoid a plant closure; incumbent worker training for skill upgrades; and linkages with economic development activities at all levels, including U.S. Department of Commerce programs and available state and local business retention and recruitment activities (20 CFR 665.320(d)).

e. WIA funds may not be used for the following activities:

1. Employment generating activities, economic development activities, investment in revolving loan funds, and capitalization of businesses, and similar activities not directly related to training for eligible individuals (20 CFR 667.262).
 2. Foreign travel, regardless of whether it is associated with economic development (WIA Section 181(e)).
 3. Wages of incumbent employees during their participation in economic development activities provided through a statewide workforce investment system (20 CFR 667.264(a)(1)). This provision is designed to prohibit the use of WIA funds for job creation and wage subsidies for incumbent workers. However, please note that the prohibition at 20 CFR 667.264(a)(1) does not preclude the workforce system from providing on-the-job training (OJT) as an allowable activity for eligible employed workers (as described in 20 CFR 663.700 - 663.710). Per 20 CFR 663.710(a), OJT payments to employers are deemed to be compensation for the extraordinary costs associated with training participants and the costs associated with the lower productivity of participants in training, rather than wage subsidies to employers.
 4. Activities to encourage or induce a business, or part of a business, to relocate from any location in the United States, if the relocation results in any employee losing his or her job at the original location (WIA Section 181(d)(1)).
 5. Customized training, skill training, or OJT of job applicants or employees of relocated companies for 120 days if the relocation resulted in loss of employment for any employee at the original location. States must develop review criteria and a documentation process for use at the local level to ensure this requirement is met (WIA Section 181(d)(2)).
5. **Further Guidance on Allowable Activities.** ETA has actively encouraged the workforce system to integrate their activities with both education and economic development in the context of regional economies pursuant to the WIRED framework. This framework calls for the alignment of all talent development resources in a region with a region's economic growth and development strategies to promote prosperity for the region's workers and to support a competitive economy. This framework was recently articulated in ETA's TEGL No. 13-06 providing direction to states on WIA State Strategic

Plan development.

Because the WIRED framework calls for systemic integration of workforce and economic development, below are workforce development activities that may be carried out utilizing WIA funds in support of economic development efforts:

- a. Working collaboratively to conduct an economic and labor market analysis to identify the state or region's economic assets and gaps as it relates to talent development, which may include:
 - Bringing together a wide array of data sources, including in-person interviews with business and industry;
 - Analyzing the data to evaluate strengths and weaknesses and areas of opportunity in a state or regional economy;
 - Assessing the skills of the available labor pool;
 - Conducting industry-cluster analysis to inform the need for talent and skills; and
 - Tracking economic data to measure the outcomes of talent development strategies and interventions.

- b. Participation in the development and implementation of workforce and talent strategies as part of a broader state or regional economic development strategic plan. Activities may include:
 - Participation in actual economic development planning sessions for the purpose of developing strategies for workforce/talent development.
 - Working collaboratively with economic developers to educate businesses that are expanding or locating (provided that the business is not relocating so as to cause layoffs in another area of the country) to the state or region for the purpose of providing information on available resources to support workforce education and training activities; to support hiring activities; and to provide information on the local economy and labor market.
 - Working collaboratively with a wide array of strategic partners that may include community leaders, business and industry, educators, economic developers, and others to develop and implement solutions to the workforce challenges faced by the community that are impeding economic growth. Examples may include strategies to address the high school dropout rate, or to develop Limited English Proficiency (LEP) strategies for a large immigrant population, or providing entrepreneurial training to encourage new business start-ups.

- Developing workforce strategies that build the skills of incumbent workers to meet the changing skill needs of business and industry, enhance productivity, and increase the viability of existing businesses in order to avoid business failure or plant closures that result in layoffs.
- c. Providing individual training accounts, customized training, and OJT training for eligible individuals to support careers in high growth, high-demand, and economically critical industries within a regional economy.
 - d. Development and dissemination of career information and available education pathways to support the skill needs of a regional economy.
 - e. Talent strategies that support the education and training of individuals who want to start a new business or that support the growth of an existing small business. Activities could include entrepreneurship training at a local community college or providing customized training to a small business to support their growth and expansion. Additional guidance will be provided regarding the use of WIA funds for entrepreneurship training in a separate TEGL.
6. **Funding Flexibility.** WIA provides significant flexibility in the use of funds by state and local workforce areas to implement innovative and creative talent development strategies in the context of a state or regional economic growth strategy. Waiver authority may provide additional flexibility where available. ETA is committed to working with states and regions to identify the flexibility they need in framing their workforce investment strategies in alignment with their regional economic development strategies. Workforce system professionals may find additional information on funding flexibility utilizing waiver authority on ETA's Web site at www.doleta.gov/waivers/; or ETA's interactive knowledge portal, Workforce³One (www.workforce3one.org), which contains archived Webinars on the use of waivers and examples of how WIA funds have been used creatively; or by making their need for assistance known to the appropriate ETA Regional Office.

In framing talent development strategies that support economic growth in the current economy, it is critical to address the workforce education and training needs of the incumbent workforce. Funding flexibility that supports incumbent worker training may be found in TEGL No. 18-05 on ETA's Web site at wdr.doleta.gov/directives/.

7. **Action Required.** States should distribute this guidance to all officials within the state workforce investment system who need such information, including state workforce agency staff, state workforce board members and staff, local workforce board members and staff, and One-Stop Career Center staff to ensure they are aware of and prepared to act upon the clarifications presented in this guidance.

8. **Inquiries.** Questions concerning this issuance may be directed to the appropriate ETA Regional Office.