



## Workforce System Directive

### Recapture and Reallocation of WIOA Title I Formula Funds

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**Effective Date of Policy:** 02/07/2025

**Policy Number:** WSD #05-2025

**Rescissions:** N/A

**Approved By:** Trae Rahill, Chief Executive Officer

**Approved by Governor's Council for Workforce and Economic Development:** 02/07/2025

#### STAKEHOLDERS:

- Chief Local Elected Officials
- Workforce Development Board Chairs
- Workforce Development Board Staff
- Designated Fiscal Agent Staff
- Oklahoma Career Tech
- Oklahoma Rehabilitation Services
- Wagner Peyser

#### REFERENCES:

- [Workforce Innovation and Opportunity Act](#) (Pub. L. 113-128) (July 22, 2014)
- Workforce Innovation and Opportunity Act; Section 128(c) and 133(c)
- Title 20 Code of Federal Regulations, Part 683, Subpart A, § [683.110](#) & [683.140](#)
- [Training and Employment Guidance Letter 28-10](#)

**PURPOSE:** The Oklahoma Employment Security Commission (OESC) as the Governor's chosen Workforce Innovation and Opportunity Act (WIOA) administrative entity provides this issuance as guidance for local workforce development boards to establish procedures for the recapture and reallocation of Workforce Innovation and Opportunity Act Title I formula funds for the Adult, Dislocated Worker (DW), and Youth programs within the State of Oklahoma. This policy ensures fiscal responsibility, compliance with federal regulations, and the effective use of WIOA funds to serve participants and meet program goals.

#### MESSAGE:

Funds allocated to Local Workforce Development Boards under WIOA Title I are available for expenditure during the program year in which they are awarded and the following program year. At the conclusion of the first program year, the Oklahoma Employment Security Commission may recapture any unobligated funds exceeding 20% of that year's allocation,

excluding up to 10% reserved for administrative costs, and reallocate those funds to eligible local areas (WIOA Sections 128(c)(2) and 133(c)(2)). By the end of the second program year, OESC must recapture all unexpended funds and may utilize them for allowable statewide workforce activities (20 CFR 683.110(c)(2)).

### **Definition of Financial Obligation**

A financial obligation is defined under 2 CFR 200.1 as a legally binding commitment to spend WIOA funds. This includes, but is not limited to:

- Contracts and subawards
- Orders for property or services
- Binding financial agreements

Further clarification regarding obligations is provided in the Training and Employment Guidance Letter (TEGL) 28-10.

### **Fund Utilization Analysis & Recapture Determination**

At the end of the first program year, OESC will evaluate local area obligation rates using data from Monthly Expenditure Detail Reports certified by each LWDB.

- The amount subject to recapture, if any, will be separately determined for each funding stream (Adult, Dislocated Worker, Youth).
- Adjustments will be made for any approved transfers between funding streams.
- LWDBs may submit a written justification for obligation rates below 80% for consideration by OESC.

The timing of the analysis and recapture will occur as close as possible to the end of the first program year but is allowable by the State at any time during the second program year. The State will make the final determination on recapturing and reallocating funds under this policy (WIOA Sections 128(c)(1) and 133(c)(1)).

In the first program year, OESC may recapture funds if the total expenditure rate falls below 70% of the allocation by the end of the program year, ensuring that unspent resources are reallocated to areas demonstrating greater need. In the second program year, OESC may recapture additional funds if the total expenditure rate remains below the required threshold by the end of the third quarter. For the purposes of this policy, the expenditure rate is defined as the percentage of allocated funds that have been spent on allowable program costs, excluding obligations that have not yet resulted in actual disbursement.

### **Reallocation Eligibility**

To be eligible to receive recaptured funds through reallocation, an LWDB must:

- Have obligated and/or expended at least 80% of its prior year's allocation, less up to 10% reserved for administrative costs (WIOA Sections 128(c)(3)&(4) and 133(c)(3)&(4)).
- Be in good standing with fiscal and programmatic monitoring requirements.
- Demonstrate a clear need for additional funds (e.g., waitlists for training programs, increased participant demand).

Reallocation will be based on the proportionate share of each eligible local area's original allocation compared to the total of all eligible local area allocations for that program year.

**Notification and Impact on Local Areas**

LWDBs affected by recapture or reallocation will receive a revised Notice of Award (NOA) specifying:

- The amount recaptured or reallocated
- Justification for the adjustment
- The deadline for obligating reallocated funds

The reduction of WIOA Title I formula funds does not decrease the allowable administrative funds available to the local area. Likewise, the acceptance of reallocated funds does not increase the administrative cost cap.

LWDBs receiving additional funds must account for the impact on fiscal performance benchmarks, including:

- The Youth Work-Based Learning Expenditure Requirement (20%)
- Out-of-School Youth Expenditure Requirement (75%)
- Adult and Dislocated Worker Minimum Training Expenditure Requirements

All reallocated funds retain their original year-of-appropriation identity and must be tracked and reported accordingly.

**ACTION REQUIRED:** This WSD is to become a part of the permanent records of all local Workforce Development Boards and shared with all appropriate staff.

**INQUIRIES:** If you have any questions or concerns regarding this policy, please email [WorkforceServices.Inquiry@oesc.ok.gov](mailto:WorkforceServices.Inquiry@oesc.ok.gov).