Hugh McDonald
SECRETARY OF COMMERCE

Cody Waits
EXECUTIVE DIRECTOR OF WORKFORCE CONNECTIONS

ARKANSAS WORKFORCE CONNECTIONS
ISSUANCE NUMBER PY 26-07

September 9, 2026

FROM: Arkansas Workforce Development Board
Cody Waits, Executive Director – Arkansas Workforce Connections
Eddie Thomas, Director – Office of Employment & Training

TO: Local Workforce Development Boards, Chief Elected Officials & Service Providers

SUBJECT: Reallocation of Recaptured Local Formula Funds Under Approved Waiver

Purpose

This issuance states Arkansas policy for the recapture and reallocation of Workforce Innovation and Opportunity Act (WIOA) Title I adult, dislocated worker, and youth formula funds among local workforce development areas. It implements the waiver of WIOA sections 128(c)(3) and 133(c)(3) approved by the U.S. Department of Labor for Program Years 2026 and 2027. It replaces the reallocation eligibility provisions of Issuance PY 22-07 and takes effect immediately.

Background

Arkansas requested this waiver as part of the PY 2026-2027 WIOA Combined State Plan modification under the Secretary of Labor's waiver authority at WIOA section 189(i)(3)(A) and 20 CFR 679.600. The waiver was approved.

Before the waiver, 20 CFR 683.140(c) allowed a local area to receive reallocated funds if it had obligated at least 80 percent of the prior program year's allocation for that funding stream, and required the Governor to reallocate under the formula provisions of WIOA sections 128(c) and 133(c). The waiver does not change how much money is recaptured; it changes how the recaptured money is redistributed.

What Is Waived and What Is Not

Waived

- WIOA section 128(c)(3) and WIOA section 133(c)(3), and the corresponding reallocation eligibility and distribution provisions at 20 CFR 683.140(a) and (c), to the extent they require Arkansas to distribute recaptured funds to every eligible local area according to the statutory formula.

Not waived and still in full effect

- The recapture calculation at 20 CFR 683.140(b). The amount recaptured from a local area is still the amount by which the prior year's unobligated balance of allocated funds exceeds 20 percent of that

year's allocation for the program, less any amount reserved for administration, up to 10 percent. The amount is determined separately for each funding stream, and unobligated balances are determined on allocations adjusted for any allowable transfer between funding streams.

- The definition of obligation at 2 CFR 200.71.
- All Uniform Guidance requirements at 2 CFR part 200 governing the use, obligation, and liquidation of reallocated funds.
- The period of performance of the underlying grant. Reallocated funds carry the availability period of the program year from which they came.

Effective Date and Duration

This issuance is effective immediately and applies to every determination made while it remains in force. It remains in effect through June 30, 2028, and may be extended if the waiver is renewed.

Policy

A. Recapture determination

Arkansas Workforce Connections (AWC) determines the recapture amount for each local area, separately by funding stream, using the calculation at 20 CFR 683.140(b) described above. AWC will notify any affected local area in writing of the recapture determination. A local area may request reconsideration within ten (10) business days of the determination, in writing, and must identify the specific figures it disputes.

B. Threshold eligibility to receive reallocated funds

A local area remains ineligible to receive reallocated funds in a funding stream unless it obligated at least 80 percent of the prior program year's allocation for that funding stream, less any amount reserved for administration, up to 10 percent. Eligibility is determined separately for each funding stream. This threshold is retained as a matter of state policy under the waiver.

C. Application required

Meeting the 80 percent threshold no longer entitles a local area to a share of recaptured funds. A local area that would like to be considered for reallocated funds must apply. AWC will announce each reallocation cycle in writing and allow no fewer than fifteen (15) business days for applications. An application must contain all of the following:

1. The amount requested, stated separately by funding stream.
2. Demonstrated need for the additional funds, and the specific target population(s) the funds will serve.
3. Demonstrated capacity to expend the additional funds within the period of performance. The application must state current obligation and expenditure rates by funding stream, current and projected participant counts, and staffing available to serve the additional participants.
4. Alignment with Arkansas economic priorities, identified by industry. The application must name the target sector or sectors and connect the request to them. Priority sectors currently include advanced manufacturing, construction, healthcare, energy, and information technology.
5. Performance in the current and the prior program year against negotiated levels for each affected indicator.
6. A line item budget for the requested funds, showing the amount to be spent on training, supportive services, and any other cost category, and identifying the administrative cost, if any.
7. A signed certification by the local board director and the chief elected official or designee that the

funds will be obligated within the period of performance and that the local area is not requesting funds for costs already covered by another source.

D. Review and award

AWC will review each application against the criteria in section C. AWC will also consider the local area's history of spending capacity and current economic conditions in the area, including announced or anticipated mass layoffs and known employer expansions. AWC may award all, part, or none of the requested amount. AWC may award funds to fewer than all applicants. AWC may decline to reallocate in a funding stream if no application demonstrates need and capacity, in which case the recaptured funds remain available for statewide activities as permitted by federal law.

AWC will issue a written award or denial to each applicant, stating the basis for the decision. AWC will provide the Arkansas Workforce Development Board with a summary of each reallocation cycle, including amounts recaptured, applications received, awards made, and the reason for any denial.

E. Conditions on reallocated funds

Reallocated funds will be awarded for the purposes stated in the approved line item budget. A local area must obtain written AWC approval before moving more than 10 percent of an awarded amount between cost categories. Reallocated funds may not be used to supplant funds already budgeted for the same activity.

F. Monitoring and recovery

A local area receiving reallocated funds must report obligations and expenditures in accordance with the existing system, on the schedule and form AWC prescribes. AWC will review these reports to determine whether the area is on pace to fully expend the award within the period of performance.

If a local area is not on pace, AWC will notify the area in writing and require a corrective action plan within fifteen (15) business days. The plan must state how the area will expend the remaining funds and by when. AWC will provide technical assistance upon request.

Funds not expended by the end of the second, or redistribution, year of the award will be recaptured to statewide funds and expended by the state in the third year of the award.

Local Board Action Required

1. Review any local policy governing recapture, reallocation, or receipt of additional formula funds. Where a local policy conflicts with this issuance, this issuance controls. Conform the local policy within thirty (30) days of the date of this issuance.
2. Ensure the fiscal agent can produce obligation and expenditure figures by funding stream on demand.
3. Distribute this issuance to board members, the chief elected official, fiscal staff, and any subrecipient whose budget could be affected.

Policies Superseded or Affected

- Issuance PY 22-07 is amended in accordance with this issuance.
- Any local board policy on reallocation is superseded to the extent of conflict.

Inquiries

WIOATA@arkansas.gov

Expiration Date

June 30, 2028, unless earlier superseded as described under Effective Date and Duration.