

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210



May 30, 2024

The Honorable Katie Hobbs
Governor of Arizona
State Capitol
1700 West Washington Street
Phoenix, AZ 85007

Dear Governor Hobbs:

Thank you for your waiver request submission to the U.S. Department of Labor regarding certain statutory and regulatory provisions of the Workforce Innovation and Opportunity Act (WIOA) and the accompanying plan to improve the statewide workforce development system (enclosed). The waiver requests were received March 4, 2024, as part of your recent WIOA State Plan submission. This letter provides the Employment and Training Administration's (ETA) official response to your request and memorializes that Arizona will meet the outcomes and implement the measures identified in its plan to ensure accountability agreed to by Arizona and ETA. This action is taken under the Secretary of Labor's authority to waive certain requirements of WIOA Title I, Subtitles A, B, and E, and Sections 8–10 of the Wagner-Peyser Act in WIOA Section 189(i).

Requested Waiver: Waiver of 20 CFR 681.550 to allow WIOA individual training accounts (ITAs) for in-school youth (ISY).

ETA Response: ETA approves, for Program Year (PY) 2024 and PY 2025, the State's request to waive the requirement limiting ITAs to only out-of-school youth (OSY), ages 16–24. In addition to these OSY, the State may use ITAs for ISY, ages 16–21. ETA reviewed Arizona's waiver request and plan and has determined that the requirements requested to be waived impede the ability of the State to implement its plan to improve the workforce development system. Approval of this waiver should not impede the State's efforts to prioritize OSY, including outreach to the OSY population.

Requested Waiver: Waiver associated with the requirement at WIOA Section 129(a)(4)(A) and 20 CFR 681.410 that the State and local areas expend 75 percent of Governor's reserve youth funds and local formula youth funds on out-of-school youth.

ETA Response: ETA approves for PY 2024 and PY 2025, which includes the entire time period for which states are authorized to spend each of those Program Year fund allotments, the State's request to waive the requirement that the State expend 75 percent of Governor's reserve youth funds on OSY. ETA reviewed Arizona's waiver request and plan and has determined that the requirements requested to be waived impede the ability of the State to implement its plan to improve the workforce development system. Arizona may lower the expenditure requirement of Governor's reserve funds to 50 percent for OSY.

In addition, ETA approves for PY 2024 and PY 2025, which includes the entire time period for which states are authorized to spend each of those Program Year fund allotments, the State's request to waive the requirement that local areas expend 75 percent of local youth formula funds on OSY. Arizona may lower the local youth funds expenditure requirement to 50 percent for OSY. As a result of this waiver, ETA expects that the number of in-school youth (ISY) served will increase, and performance accountability outcomes for overall WIOA Youth (including both ISY and OSY) will remain steady or increase for the majority of the WIOA Youth performance indicators. The State is also approved to calculate the lowered 50 percent expenditure rate at the State level instead of individually for each local area.

The State must report its waiver outcomes and implementation of the approved waiver in the WIOA Annual Report. ETA will use this information to assess continued waiver approval and to identify promising practices that may be adopted more widely. ETA is available to provide technical assistance to you in support of your goals. If you have questions, feel free to contact my office at (202) 693-2772.

Sincerely,

A handwritten signature in blue ink that reads "José Javier Rodríguez". The signature is written in a cursive, flowing style.

José Javier Rodríguez

Enclosure

cc: Angie Rodgers, Executive Deputy Director, Arizona Department of Economic Security
Dr. Tamika Ledbetter, Regional Administrator, ETA
Marian Esver, Federal Project Officer, ETA

Arizona

Submitted: March 3, 2024

For PY 2024 to 2027, Arizona requests the following waivers:

- Use of individual training account (ITA) for in-school youth
- Lowering the out-of-school youth expenditure requirement (out-of-school priority)

Both waivers are intended to support the State's vision of economic growth and opportunity for all Arizonans and, specifically, its strategic goal of preparing Arizona's youth for workforce success. To realize this goal, Arizona's workforce system seeks to promote equitable access to services, by connecting with both in-school and out-of-school youth, and to link youth with training programs in high-growth industries.

Individual Training Account for In-School Youth

Regulatory Requirement to be Waived. Arizona requests to renew the waiver to establish an individual training account (ITA) for in-school youth. Under 20 CFR § 681.550, DOL allows ITA for out-of-school youth, ages 16 to 24, using WIOA Youth funds. As the regulation specifically applies to out-of-school youth but not to in-school youth, Arizona has requested the waiver to allow ITA for in-school youth as well. DOL approved the waiver initially on November 14, 2019, and approved subsequent renewal requests, effective until June 30, 2024.

Barriers to Requesting the Waiver. Neither State nor local policies present any barriers to requesting the waiver.

Goals and Programmatic Outcomes. The strategic goal of preparing Arizona's youth for workforce success applies to all youth: out-of-school as well as in-school. The ITA for in-school youth waiver will continue to facilitate for all youth access to training programs that lead to workforce success. Through an ITA, and similar to their out-of-school youth counterparts, in-school youth will have the opportunity to choose from training programs on the ETPL, which have been vetted for quality and alignment with the State's and the local area's in-demand industries and occupations.

The waiver is expected to continue to positively impact youth participants. Specifically, for each PY that the waiver is in place, the State projects:

- At least 75 in-school youth will use an ITA to fund occupational skills training on the ETPL;
- The employment rate for in-school youth with an ITA will be at least five percent higher than the overall employment rate for in-school youth;
- The credential attainment rate for in-school youth with an ITA will be at least 30 percent higher than the overall credential attainment rate for in-school youth; and

- The measurable skill gains rate for in-school youth with an ITA will be at least ten percent higher than the overall measurable skill gains rate for in-school youth.

Outcomes through Waiver Implementation. In the State Plan modification for PY 2022 and 2023, the State projected that 50 youth would achieve positive outcomes in PY 2022 as a result of the waiver.

In the PY 2022 reporting period, 53 in-school youth out of 66 (80.3 percent) who received occupational skills training through an ITA were employed in the second quarter after exit; 18 out of 20 (90 percent) attained a credential; and 39 of 52 (75 percent) achieved at least one measurable skill gain.

Of those in-school youth included in the PY 2022 WIOA performance indicators, in-school youth who had an ITA were more likely to have successful placement in the second quarter after exit, attained a credential, and achieved a measurable skill gain:

- Overall in-school youth second quarter after exit employment rate: 74.1 percent (compared to 80.3 percent for in-school youth with ITA)
- Overall in-school youth credential attainment rate: 56.2 percent (compared to 90 percent for in-school youth with ITA)
- Overall in-school youth measurable skill gains rate: 63.6 percent (compared to 75 percent for in-school youth with ITA)

As noted in the State's annual report narrative for PY 2022, 81 in-school youth received 89 training services funded by an ITA. The total number of in-school youth receiving training services has increased every year that the waiver has been in place, from 112 to 167 to 175 in PY 2020, PY 2021, and PY 2022, respectively.

The impacts of the ITA for in-school youth will continue to become clearer in future PYs as the cohort sample sizes increase.

Alignment with U.S. DOL's Policy Priorities. The ITA for in-school youth supports DOL's focus on improving job and career results. As previously described, the PY 2022 performance indicators show stronger employment and credential outcomes for in-school youth with an ITA, compared to in-school youth without an ITA.

Moreover, extending ITA to in-school youth aligns with WIOA's purpose of increasing access to and opportunities for employment, education, and training, particularly for individuals with barriers to employment. Individuals who are low-income are a population considered to have a barrier to employment, and in-school youth are statutorily required to be low-income to be eligible for youth program services.

Individuals Affected by the Waiver. The waiver is expected to continue to benefit in-school youth by allowing training funds through an ITA:

- To support their transition from secondary education into a postsecondary training program on the ETPL.
- To help those enrolled in a training program on the ETPL complete their program.

Notably, the waiver will continue to assist those who were enrolled in the youth program as in-school youth but have subsequently dropped out or left school during program participation. Because such youth continue to be categorized as in-school youth, they would not have access to an ITA and its advantages without the waiver. Thus, the waiver fosters reengagement of “in-school youth” in the attainment of a recognized postsecondary credential.

Monitoring Progress in Implementing the Waiver. ADES will continue to monitor the progress in implementing the waiver through:

- Verifying the use of ITA to exclusively fund training programs on the ETPL for all participants, including in-school youth, as part of its annual programmatic monitoring.
- Periodic meeting with LWDB directors to review each local area’s implementation of the waiver and provide technical assistance, as appropriate.
- Data collection and performance outcomes analysis related to in-school youth with ITA, which will continue to be reported in the WIOA Annual Performance Report Narrative for Titles I and III.

Local Board and Public Comment on the Waiver. The waiver request is applicable statewide and is being submitted to DOL as part of Arizona's Unified State Plan, which was available for public review and comment from January 16, 2024 to January 30, 2024. Prior to the public comment period, the State notified all local boards, via email to local board directors, of the intent to renew the waiver for ITA for in-school youth.

Out-of-School Priority

Regulatory Requirement to be Waived. Arizona requests a waiver on the out-of-school priority under WIOA section 129(a)(4)(A) and 20 CFR § 681.410, which requires that at least 75 percent of statewide funds spent on direct services to youth and local area youth funds, excluding administrative costs, be used for out-of-school youth.

Arizona requests to lower the out-of-school youth expenditure requirement from 75 percent to 50 percent of statewide and local area funds.

Barriers to Requesting the Waiver. Neither State nor local policies present any barriers to requesting the waiver.

Goals and Programmatic Outcomes. A waiver that lowers the out-of-school youth expenditure requirement from 75 percent to 50 percent aligns with the State’s goal of preparing Arizona’s youth, both in-school and out-of-school, for workforce success. It also aligns with the State’s current waiver that allows the use of ITAs for in-school youth, as previously described.

The waiver will facilitate continued support for statewide initiatives, such as the Free Application for Federal Student Aid (FAFSA) Challenge and the Jobs for Arizona Graduate (JAG) Programs. Both programs promote successful transition to postsecondary education and underscore the impact of postsecondary education on earnings, [which increase as educational attainment rises](#) ^[1]. In coordination with the Arizona College Campaign program, the FAFSA Challenge's goal is 60 percent postsecondary education attainment statewide by 2030. The JAG Program provides targeted support to high school students before and after graduation. It has notably served youth belonging to priority populations under WIOA, including low-income youth.

In addition, the waiver will extend the flexibility for local areas to enroll more in-school youth, when warranted by the local area's demographic composition, and deliver appropriate services that are based on the youth's needs and goals, rather than the youth's school status at program enrollment.

Three local workforce development boards have submitted support letters for the out-of-school priority waiver and highlighted the following to reinforce the request (see also Appendix 8):

- Data on school attendance: School attendance is a criterion for eligibility as an in-school youth in the Title I-B Youth program, and two local areas noted a higher proportion of youth who are attending school than those who are not. One local area has an in-school youth population of 11,643 (16-18 years old), compared to 10,388 out-of-school youth (19-24 years old). Its overall dropout rate is at 4.8 percent. Another local area reported a graduation rate of 88.6 percent to illustrate, in part, that a significant portion of area youth who are potentially eligible for services are in school.
- Targeted support for priority populations: Another local area seeks to leverage the waiver to promote equitable outcomes for in-school youth. Local area data shows that certain students who are considered to be individuals with barriers to employment under WIOA are less likely to graduate from high school within four years, compared to the overall local area rate of 78.3 percent. For instance, 52.6 percent of students in foster care graduate within four years, while 58.1 percent of homeless students graduate within four years.

The State projects that approximately 500 more in-school youth will be served, using both local area and statewide funds, as a result of the waiver.

Alignment with U.S. DOL's Policy Priorities. The waiver aligns with WIOA's purpose of increasing access to and opportunities for employment, education, and training, particularly for individuals with barriers to employment. Individuals who are low-income are a population considered to have a barrier to employment, and in-school youth are statutorily required to be low-income to be eligible for youth program services.

Individuals Affected by the Waiver. The waiver is expected to benefit in-school youth, including those who left or dropped out of school during program participation, by allowing the use of

more program funds to provide them with appropriate and necessary career and training services.

The waiver is not intended to decrease out-of-school youth participation nor diminish their services. Rather, and as noted earlier, it will allow programs to provide services based on need instead of school status ^[2].

The waiver will not preclude out-of-school youth expenditure of more than 50 percent, or even up to 100 percent, if warranted by the needs of the youth population each program serves.

Monitoring Progress in Implementing the Waiver. ADES will monitor the progress in implementing the waiver through:

- Periodic meetings with LWDB directors to review each local area's implementation of the waiver and provide technical assistance, as appropriate.
- Data collection and performance outcomes analysis, which will continue to be reported in the WIOA Annual Performance Report Narrative for Titles I and III.

Local Board and Public Comment on the Waiver. The waiver request is applicable statewide and is being submitted to DOL as part Arizona's Unified State Plan. The State Plan was available for public review and comment from January 16, 2024 to January 30, 2024. Prior to the public comment period, the State notified local boards by email of the intent to submit the waiver request and the justification for doing so.

[1] <https://www.bls.gov/careeroutlook/2023/data-on-display/education-pays.htm>

[2] Once the school status of a youth is determined, that school status remains the same throughout the youth's participation in the WIOA youth program. This distinction is drawn for purposes of reporting against the OSY expenditure requirement ([TEGL 21-16](#)).