

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210



July 27, 2026

The Honorable Michelle Lujan Grisham
Governor of New Mexico
490 Old Sante Fe Trail, Room 400
Sante Fe, New Mexico 87501

Dear Governor Lujan Grisham:

Thank you for your waiver request submission to the U.S. Department of Labor (Department) 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 on April 30, 2026, as part of your recent WIOA State Plan modification submission. This letter provides the Employment and Training Administration's (ETA) official response to your request and memorializes that New Mexico will meet the outcomes and implement the measures identified in its plan to ensure accountability agreed to by New Mexico 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 WIOA Section 134(d)(2) and 20 CFR 680.910 to allow the use of supportive services for participants within 12 months of exit for employment retention.

ETA Response: ETA approves, through June 30, 2028, the State's request to waive the requirement that prohibits the use of Adult and Dislocated Worker funds for provision of supportive services during the 12-months following participant exit and entry into employment. With this waiver, the State can provide targeted supportive services to participants who have exited from the program and entered employment, including recipients of public assistance, to ease temporary barriers that may impede job retention.

Requested Waiver: Waiver of WIOA Section 134(c)(3)(H)(i) and 20 CFR 680.720(b) to increase on-the-job training (OJT) employer reimbursement up to 90 percent for businesses with 50 or fewer employees.

ETA Response: ETA approves, through June 30, 2028, the State's waiver request for the WIOA Title I Adult, Dislocated Worker, and Youth formula funds. ETA reviewed the State'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. Existing statutory authority permits the State and its local workforce areas to increase the reimbursement rate for OJT contracts up to 75 percent. The State may also reimburse up to 90

percent for OJT for businesses with 50 or fewer employees. ETA expects the utilization of OJT to increase in the State as a result of this waiver.

Requested Waiver: Waiver of the requirements outlined in WIOA Section 134(d)(5) and 20 CFR 680.195 to allow up to 30 percent of WIOA Title I Adult and Dislocated Worker local formula funds to be used for the provision of transitional jobs.

ETA Response: ETA approves, through June 30, 2028, the State's waiver request to allow the state to use up to 30 percent of the WIOA Title I Adult and Dislocated Worker formula funding streams for the provision of transitional jobs. ETA reviewed the State's waiver request and plan and has determined that the requirements requested to be waived impede New Mexico's ability to implement its plan to improve the workforce development system.

Requested Waiver: Waiver of the requirements at WIOA 134(d)(4) and 20 CFR 680.800(a) to allow local areas to reserve more than 20 percent of Adult and Dislocated Worker funds for incumbent worker training (IWT).

ETA Response: ETA conditionally approves the State's waiver through June 30, 2028, to permit local areas to increase the allowable threshold available for IWT from 20 to 30 percent. Prior to implementation of this waiver, New Mexico must update its waiver request to include a description of the metrics and methods that the State will employ to track its stated goals.

Requested Waiver: Waiver of the requirement that local youth programs make available each of the 14 youth program elements required under WIOA Section 129(c)(2).

ETA Response: The State has withdrawn this waiver request.

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 (OSY).

ETA Response: ETA approves, for Program Years (PYs) 2026 and 2027, which includes the entire period during which states are authorized to spend each of those PY 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 the State's waiver request and plan and has determined that the requirements requested to be waived impede the ability of State to implement its plan to improve the workforce development system. The State may lower the expenditure requirement of Governor's reserve funds to 50 percent for OSY.

In addition, ETA approves, for PYs 2026 and 2027, which includes the entire time period for which states are authorized to spend each of those PY fund allotments, the State's request to waive the requirement that local areas expend 75 percent of local youth formula funds on OSY. The State may lower the local youth funds expenditure requirement to 50 percent for OSY.

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 PYs 2026 and 2027, 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 the State'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.

Requested Waiver: Waiver of the requirements outlined in WIOA Section 107(b) to allow a state workforce development board to carry out the roles and responsibilities of a local board.

ETA Response: The Department has reviewed New Mexico's request seeking authority for the state workforce development board to assume the roles and responsibilities of a local workforce development board in the Northern Local Area, and potentially additional areas in the future, and does not approve this waiver at this time. ETA acknowledges the serious governance, fiscal, and performance issues the State has documented and encourages New Mexico to first utilize the full extent of existing corrective action tools available under WIOA Section 184; including decertification and reorganization of a local board, merging the local workforce development area in question with another local area, or temporary State control of the local area.

ETA remains committed to supporting New Mexico in restoring effective and compliant local governance. ETA will provide targeted technical assistance to help the State apply Section 184 remedies, strengthen oversight, and stabilize local board operations, if needed. Should New Mexico wish to revisit its waiver request after exercising Section 184 authorities or demonstrating that statutory mechanisms are insufficient to resolve the issues, ETA will be prepared to review a revised waiver submission at that time.

Requested Waiver: Waiver of requirements at WIOA Sections 107(d), 121(d)(2)(A) and WIOA regulations at 20 CFR 679.560(1), 20 CFR 678, 20 CFR 680, and 20 CFR 681 to allow the state workforce development board and the New Mexico Department of Workforce Solutions to designate the Title III Wagner-Peyser Act provider as the direct provider of Title I services and waive requirements related to local workforce development one-stop operator selection and certification, adult and dislocated worker program activities and service provider requirements, and youth program provider selection and delivery.

ETA Response: ETA cannot approve this waiver request as requirements concerning the establishment and functions of local boards and areas, including the selection of service providers, are prohibited under WIOA Section 189(i)(3)(A)(i).

The State is reminded that WIOA Title I waivers may not be used for any discriminatory purposes. All activities and waiver plan provisions must comply with Section 188 of WIOA, the implementing regulations at 29 CFR Part 38, and all applicable federal nondiscrimination laws.

The State must report its waiver outcomes and implementation of the approved waivers 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, appearing to read 'Marek Laco', with a stylized flourish at the end.

Marek Laco
Acting Assistant Secretary

Enclosures

cc: Sarita Nair, Cabinet Secretary, New Mexico Department of Workforce Solutions
M. Frank Stluka, Dallas Acting Regional Administrator, ETA
Coreena Miller, Federal Project Officer, ETA