



January 11, 2021

The Honorable Edward Lamont
Governor of Connecticut
State Capitol
210 Capitol Avenue
Hartford, CT 06106

Dear Governor Lamont:

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 request was received on December 1, 2020. This letter provides the Employment and Training Administration's (ETA) official response to your request and memorializes that Connecticut will meet the outcomes and implement the measures identified in its plan to ensure accountability agreed to by the State and ETA. This action is taken under the Secretary'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(c)(3)(H)(i) and 20 CFR 680.720(b) in order to increase on-the-job training (OJT) employer reimbursement up to 90 percent for businesses with 50 or fewer employees for the WIOA Title I 2020 program year (July 1, 2020 – June 30, 2021).

ETA Response: ETA approves Connecticut's waiver request through June 30, 2021, 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 Connecticut to implement its plan to improve the workforce development system.

Existing statutory authority permits the State to increase the reimbursement rate for OJT contracts up to 75 percent. Connecticut 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.

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.

State of Connecticut On-the-Job Training (OJT) Employer Reimbursement

Federal statutory/regulatory requirements to be waived:

Pursuant to the waiver requirements and request process of Title I of the Workforce Innovation and Opportunity Act (WIOA) (at WIOA §189(i)(3)(B); 20 CFR §679.620 and TEGL 8-18) and the Wagner-Peyser Act, the Connecticut Department of Labor (CTDOL), the designated state workforce agency for the State of Connecticut, is requesting a waiver of the requirements of WIOA §134(c)(3)(H)(i) and 20 CFR §680.720(b) in order to increase on-the-job training (OJT) employer reimbursement up to 90 percent for businesses with less than 50 employees. Pursuant to 20 CFR §680.720, employers may be reimbursed up to 50 percent of the wage rate of an OJT participant, and up to 75 percent using the criteria in 20 CFR §680.730, for the extraordinary costs of providing the training and additional supervision related to the OJT. This waiver request would allow for a sliding scale for OJT training employer reimbursements that ranges from 50 - 90 percent, dependent on the number of employees. Connecticut is requesting this waiver for the WIOA Title I 2020 program year (July 1, 2020 - June 30, 2021).

Actions for the removal of state or local statutory or regulatory barriers:

There are no State of Connecticut or local statutory or regulatory barriers to implementation. CTDOL compliance policies meet current federal program requirements.

State strategic goals/US Department of Labor priorities supported by waiver request:

CTDOL seeks to address and enhance critical business and workforce needs in the state through an incentivized, industry sector-based approach to workforce training. On-the-job training is a proven, reliable method to instill work-based training in an effective and efficient way that meets the immediate workforce needs of the state, especially in times of recovery from natural or other disasters. Employers need a durable and trained workforce, but when one is not readily available, quick and effective turnaround training is critical for the state's economy.

With the impact of COVID-19, the State of Connecticut is in need of such workforce training activities to provide immediate and effective relief to workforce shortages, especially in the following industry sectors in Connecticut: Healthcare, Manufacturing, Technology, Finance & Insurance, Transportation/Distribution/Logistics, Government, Social Services, Education, General Office and Other Services, and Construction. While general academic knowledge is important, learning skills through hands-on training allows for a quick ramp-up of the state's workforce. OJT allows employers to meet their immediate and long-term objectives, while providing jobseekers with learning opportunities in an actual work environment that lead to a career pathway.

For smaller businesses and employers that do not typically have a large workforce on standby, this waiver will allow them opportunities to employ individuals who are dislocated from other employment due to the COVID-19 economic disaster, while still being able to utilize their limited resources for other critical aspects of business. According to the 2017 "Small Business Profile" published by the U.S. Small Business Administration's Office of Advocacy, the majority of Connecticut businesses have 100 or fewer employees (https://www.sba.gov/sites/default/files/advocacy/All_States_0.pdf).

On-the-job training strategies prioritized by the state match USDOL's priority of work-based learning activities. OJT connects education and training strategies and fulfills the workforce gaps in industry sector-driven demand areas.

CTDOL's OJT policy will be revised to include the increased reimbursement rate, once the waiver is approved to include the following guidance pertaining to OJT contracts:

Reimbursement and Contract Requirements [20 CFR 680.720](#) - Reimbursements under OJT contracts are deemed to be compensation for the extraordinary costs associated with training participants and the costs associated with the lower productivity of the participants. The standard reimbursement rate for OJT contracts is up to 50%. **[20 CFR 680.730](#)** An OJT contract reimbursement rate may be up to 75%* if a higher rate is justified based on one or more of the following factors:

- (I) the characteristics of the participant (e.g. long-term unemployed, little or no work history, physical or mental disability, ex-felon);
- (II) the size of the employer (50 or fewer employees);
- (III) the quality of employer-provided training and advancement opportunities;
- (IV) the training is in an apprenticeable occupation and the employer has agreed to sponsor a registered apprenticeship.

WIOA Law Sec. 134(c)(3)(H)(ii)

**Subsequently, when an approved and current USDOL ETA waiver is in effect, an OJT contract reimbursement rate may be up to 90% if the higher rate is justified based on one or more of the above factors.*

WDBs currently review each employer prior to writing a WIOA OJT contract. Part of this process is to review the employer's history of retaining employees upon OJT completion. Employers who fail to retain employees without cause are not considered for WIOA OJT contracts. For employers with whom there is no previous history, the number of OJT's (at higher rates) is limited until outcomes may be evaluated to assure reasonable retention of completers.

Further, CTDOL's intent is to increase participation of both the employer community and unemployed un/under skilled individuals. Employers will be confident that the local workforce system is able to support their labor needs through this limited initiative, and the unemployed, un/under skilled individual will be able to attain valuable skills that lead to gainful employment.

Projected programmatic outcomes from waiver:

Approval of this waiver request would increase flexibility for smaller Connecticut businesses to redirect their business resources to critical operational areas, and would increase their labor force, increasing their competitive position for jobs that are typically provided to larger companies and corporations that are able to absorb the cost of a larger workforce. The waiver would also build capacity for small Connecticut businesses to draw from the local area's workforce talent, versus having to conduct costly and lengthy national recruitment activities. This waiver request's proposed scale for on-the-job training reimbursements is:

- 50 or fewer employees: up to 90 percent on-the-job training employer reimbursement
- 51-250 employees: up to 75 percent on-the-job training employer reimbursement
- > 250 employees: up to 50 percent on-the-job training employer reimbursement

CTDOL anticipates an increase in WIOA OJT participation should this waiver get approved, although a quantifiable amount is not readily apparent. Based on local outreach, there is certainty that employers have been impacted by the COVID 19 economy and are hesitant to hire. CTDOL has observed that the incentive of OJT funding not only encourages employers to hire someone with a lower skillset, who they may not have otherwise hired; but they also tend to hire earlier than they would have. For instance, an employer planning to hire in June would be able to hire in February with the benefit of additional OJT funds. We have found that employers are more likely to participate in the OJT program when reimbursement rates are 75% or higher, and are more likely to provide valuable skills and in most cases retain the individual as an employee.

In the current economy/job market, very few OJT contracts have been awarded in the new program year with WIOA funding. The approval of this waiver would increase the number of employers working with unemployed individuals, and are more likely to engage the workforce system services for future workforce/employer needs. CTDOL has observed that employers are choosing to participate in OJT contracts with the use of CARES Act funding which provides 100% reimbursement versus the lower WIOA OJTs at 50-75% reimbursement.

Individuals, groups or populations impacted by the proposed waiver:

CTDOL intends for this waiver to benefit the large number of jobseekers who have been dislocated by the COVID-19 economic disaster. CTDOL further intends for this waiver to benefit a large number of Connecticut employers who are in critical need for an immediate workforce to address the significant demands placed on those specific industry sectors as a result of the COVID-19 crisis. Finally, CTDOL intends for this waiver to benefit the state's economic condition, which has been dramatically impacted as a direct result of COVID-19.

Long-term benefit to OJT participants:

CTDOL intends that this waiver will result in long-term benefits and gains to jobseekers by creating gainful and sustainable career pathways, as well as creating a sustainable trained workforce for Connecticut employers for the long recovery period.

Procedure for monitoring progress of waiver implementation/collection of outcome information:

CTDOL will continue monitoring state and local area performance to assess the effectiveness of this waiver using both state and federal accountability systems to ensure that all negotiated performance measures are met including expenditure percentages, results are accurately reported and will provide necessary technical assistance to the local Boards, one-stop operators and service providers. As part of the monitoring and performance accountability process, CTDOL will collect data on waiver outcomes, which will be included in the Connecticut WIOA Annual Report. Any waiver renewal requests will include the most recent available outcomes data.

WDBs regularly monitor both the employee and the employer throughout the OJT timeframe. This process will not change with a waiver approval. Outcomes will further be captured in CTDOL's CTHires data management system, which tracks not only activities but also interim measurable skill gains and employment outcomes in follow-up. Reports on WIOA OJT data can be obtained from CTHires system.

Assurance of state posting of the request for public comment and notification of affected local workforce development boards:

CTDOL will provide for meaningful public review and comment. It will publish the proposed waiver in compliance with Connecticut statutory requirements and will review and develop a response to all comments received. CTDOL notified all Boards that the agency is seeking this waiver request and sought their input before submitting this request to USDOL ETA.