U.S. Department of Labor

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

June 3, 2026

The Honorable Gretchen Whitmer
Governor of Michigan
111 S. Capitol Avenue
Lansing, MI 48933

Dear Governor Whitmer:

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 March 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 Michigan will meet the outcomes and implement the measures identified in its plan to ensure accountability agreed to by Michigan 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).

<u>Requested Waiver</u>: 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).

<u>ETA Response</u>: ETA approves, for Program Years (PY) 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 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 requirement impedes the ability of the State to implement its plan to improve the workforce development system. The State is approved to eliminate the expenditure requirement of Governor's reserve funds 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 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. The State 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.

Requested Waiver: Waiver of 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: The State requested this waiver on March 1, 2024. ETA approved this waiver and the waiver remains in effect until June 30, 2028.

Requested Waiver: Waiver of 20 CFR 680.780 to adjust the six-month employment requirement for incumbent worker training (IWT).

ETA Response: The State requested this waiver on March 1, 2024. ETA approved this waiver and the waiver remains in effect until June 30, 2028.

Requested Waiver: Waiver of the requirement at WIOA Section 134(d)(4)(D)(ii) and 20 CFR 680.820 which establish a sliding scale based upon employer size for the minimum required non-federal share contribution that an employer must make for IWT.

ETA Response: In a letter dated May 29, 2024, ETA provided conditional approval to Michigan to waive the requirement at 134(d)(4)(D)(ii) and 20 CFR 680.820 which establish a sliding scale based upon employer size for the minimum required non-federal share contribution that an employer must make for IWT. ETA has determined that the conditions imposed in the prior approval of this waiver are inconsistent with the Administration's goals. Therefore, the State may lower the minimum employer contribution to 10 percent for all employers, regardless of size, through June 30, 2028.

Requested Waiver: Waiver of the requirement to meet data validation requirements outlined in WIOA Section 116(d)(5) and 20 CFR 677.240.

ETA Response: ETA does not approve the State's request. As communicated in the Training and Employment Guidance Letter No 05-25: *Maximizing Innovation in Workforce Innovation and Opportunity Act Programs*, "ETA will not support waiver requests that do not advance the administration's keys priorities, such as waivers of performance outcomes of participants and training providers." ETA's Regional Office and National Office staff are available to provide technical assistance and support.

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,

Henry Mack

Henry Mack, Ed.D.
Assistant Secretary

Enclosures

cc: Susan Corbin, Director, Michigan Department of Labor and Economic Opportunity
Pam Gerassimides, ETA Regional Administrator
Raymundo Garcia, ETA Federal Project Officer

Michigan All Waivers

Michigan Department of Labor and Economic Opportunity Workforce Innovation and Opportunity Act Waiver Request Out-of-School Youth Expenditure Waiver

On May 29, 2024, the U.S. Department of Labor (USDOL) approved the following waiver for the State of Michigan (SOM) through the life of Program Years (PYs) 2024 and 2025 funds at 50% for WIOA formula funding and 0% for WIOA Statewide Activities (Governor's set-aside) funding. The Michigan Department of Labor and Economic Opportunity (LEO) is requesting subsequent approval of this waiver, at 50% of WIOA formula funding and 0% of WIOA Statewide Activities funding.

Statutory and/or Regulatory Requirement(s) to be Waived

Department of Labor and Economic Opportunity, Workforce Development (LEO-WD) is requesting a waiver from WIOA in accordance with the federal WIOA of 2014, at Section 89(i)(3) and WIOA Final Regulations at 20 Code of Federal Regulations (CFR) 679.600 thru 679.640. This waiver request will assist Michigan to further develop and strengthen its demand-driven workforce development system.

The SOM is seeking a waiver from WIOA Section 129(a)(4)(A) and 20 CFR Part 681.410, which requires not less than 75% of funds allotted to states under Section 127(b)(1)(C), reserved under Section 128(a), and available for statewide activities under subsection (b), and not less than 75% of funds available to local areas under subsection (c), which shall be used to provide youth workforce investment activities for Out-of-School Youth (OSY). The SOM is requesting:

To lower the minimum OSY expenditure requirement to 50% for formula funding at both the state and local levels; and

To eliminate the minimum OSY expenditure requirement for WIOA Statewide Activities funding when providing direct services to youth.

Results and outcomes observed through implementation of the existing waiver

The local Michigan Works! Agencies (MWAs) are meeting or exceeding the approved 50% OSY expenditure minimum for Appropriation Year 2023 WIOA Youth funding, in compliance with the waiver approved in May of 2024. The SOM tracks these expenditures quarterly and annually in the Management of Awards to Recipients System. Technical assistance is provided to any MWAs identified as at-risk during a review. Receipts of these waivers have provided continuous improvement in serving both In-School-Youth (ISY) and OSY served in the last two PYs, demonstrating continuous growth with a 1% increase in OSY in PY 2023 and a 4.73% increase of ISY in PY23, highlighting steady progression and commitment to expanding youth outreach. MWAs served 1726 ISY in PY 2024. Although 221 fewer ISY were served in PY 2024, as compared to PY 2023, the percentage of ISY who participated in work experience increased by 3% in the same time period. Additionally, Michigan saw a $151,001 reduction in total WIOA Youth funds in PY 2024, which likely contributed to the reduction in number of individuals served.

Michigan set an ambitious goal of achieving at least 60% of ISY engagement in work experience activities for PY 2023 through PY 2025. However, due to a decline in overall youth participation from PY 2023 to PY 2024, these targets were not met as anticipated. Despite this, Michigan has maintained robust OSY participation and prioritizing OSY with statewide participation rates reaching 72% in PY 2023 and 73% in PY 2022.

This waiver has proven to play a critical role in expanding outreach and building career pathways for at-risk youth. MWAs have reported the flexibility provided by this waiver has enabled the development of career pipelines and supportive services that promote long-term positive outcomes aligned with the SOM's strategic goals. Michigan continues to exceed its work experience expenditure goals annually and performance accountability outcomes for WIOA Youth (both ISY and OSY) have remained steady or increased for all performance indicators in PY 2023 and PY 2024. While overall participation has fluctuated, the quality and impact of services remain high.

Michigan remains deeply committed to serving all job seekers through innovative and outcomes-driven programming. As the statutory requirement to allocate 75% of WIOA youth funds to OSY has helped maintain a strong focus on disconnected youth, it has also limited the SOM's ability to invest in additional innovative strategies that support all youth, regardless of school status. Michigan has continued to create innovative ways to meet these needs as a result of this waiver.

Actions Undertaken to Remove State or Local Statutory or Regulatory Barriers

There are no state or local statutory or regulatory barriers to implementing the requested waiver. Current SOM laws, regulations, and policies follow federal law, regulations, and guidance.

State Strategic Goals and Expected Programmatic Outcomes

The SOM seeks to achieve the following strategic goals that align with WIOA Planning Priorities, the Governor's priorities, and the SOM Plan.

Increased flexibility of WIOA Statewide Activities and formula funding to support:

The implementation of evidence-based programs and strategies;

Opportunities for career exposure, exploration, and experience events;

The Governor's statewide postsecondary education goal of 60% of working-age adults completing a postsecondary credential by the year 2030;

Placing more of Michigan's citizens on the path to high-wage skills;

Increased college readiness; and

A no wrong door youth workforce system.

As a result of this waiver, the SOM anticipates performance accountability outcomes for WIOA Youth (both ISY and OSY) will remain steady or increase for the majority of WIOA Youth performance indicators. Additionally, the SOM projects an expected outcome of 41% of ISY participants to participate in a work experience activity.

Alignment with U.S. Department of Labor (USDOL) Policy Priorities

This waiver request aligns with the following USDOL policy priorities, as found in the USDOL Fiscal Years 2022 through 2026, Strategic Plan, WIOA law and federal regulations, and America's Talent Strategy: Building the Workforce for the Golden Age:

Leveraging statutory authorities to promote flexibility and innovation;

Creating customer-focused workforce solutions that serve all workers, which supports building a strong youth pipeline and increasing retention;

Putting America back to work include scaling evidence-based practices, including sector-based training and career pathways, among others, which includes workforce pathways for youth;

Industry-driven strategies, expanding proven work-based learning models like Registered Apprenticeships and aligning education programs to career pathways in priority industries to ensure direct connections to employer needs;

Enhancing access to effective work-based training models by expanding youth and pre-apprenticeships by targeting students at secondary educational institutions; •

Enhancing access to work experience for youth participants, requiring that 20% of WIOA Youth funding be expended on this element;

Promoting strong partnerships to leverage resources and increase opportunities for youth; and

Prioritizing participant success, as measured by skill gains, entry into and retention of employment or postsecondary attendance, and achievement of an industry recognized credential.

Individuals, Groups, or Populations Affected by the Waiver

This waiver will ultimately impact Michigan's at-risk young adult population. MWA and subcontracted service provider staff, workforce development partners, employers, parents, and school counselors will also benefit from the waiver.

Plans for Monitoring Implementation and Collecting Waiver Outcome Information

WIOA programmatic reviews will include an evaluation of how local waivers are being utilized to ensure programmatic goals and outcomes are being met. WIOA State Coordinators dedicated to the administration of WIOA Youth program will continually examine the effectiveness of waivers throughout the PYs, including quarterly desk reviews. This strategy ensures that the objectives described above, as well as those outlined in the existing state and local WIOA plans, are consistent with established objectives of the WIOA, and federal and state regulations.

Notice to Local Boards and Public Comment

In accordance with WIOA Section 102(c)(3) and WIOA Final Regulations at 20 CFR 676.135, LEO is submitting this waiver request as part of the WIOA State Plan, which is subject to the requirements outlined in WIOA Final Regulations at 20 CFR 676.130(d) regarding public review and comment. This waiver request will be posted on the Department's website for review and comment by required parties and the general public for 30 days. A copy of this waiver request will also be provided to all local Workforce Development Boards and their association.

The effect of this waiver on the State's programmatic performance outcomes will be addressed in the State's WIOA/Wagner-Peyser Annual Report Narratives.

Rationale to Support Waiver Request

Support for Evidence-Based Dropout Prevention and Re-Engagement Programming

In Michigan, according to the Center for Educational Performance and Information, approximately 10,000 youth drop out of high school every year. According to the 2024 American Community Survey 1-year estimates, individuals with less than a high school diploma had an unemployment rate of 7.6%, compared to 3.4% for those with a high school diploma or higher, and the poverty rate for individuals without a high school diploma 26.6% and only 10.0% for individuals with a high school diploma or higher.

According to Michigan Center for Data and Analytics occupational projections, 78.9% of jobs in 2032, are expected to require at least a high school diploma. It is crucial to the future of our state's youth to engage them prior to disconnecting from an educational institution.

Michigan can no longer rely on school counselors to keep students connected. According to the American School Counselor Association, Michigan has a ratio of 573 students to one counselor in the 2023-2024 school year, nearly 200 more than the national average. The Association recommends a ratio of 250 to one. To help address this disparity, the SOM is requesting continued flexibility of WIOA Statewide Activities funding to support a statewide program focused on providing a comprehensive set of services designed to keep ISY attached to the education system to improve their rate of success in achieving educational and career goals.

Statewide Activities funding will complement youth formula funds to implement a robust drop-out prevention and re-engagement program. The program is targeted to the most at-risk and disadvantaged youth in danger of dropping out of school and those who already have dropped out of school. "At risk of dropping out" includes students who are credit deficient, have repeated a class, who maintain a grade point average, at or below a cumulative 1.5, scored poorly on assessment tests, are often truant from school, are involved in the court system, are currently involved in gang activity, or who are likely to join a gang, as defined by local authorities.

The goal is for youth to receive a high school diploma or recognized equivalent, secure a quality, entry-level job in the workforce, pursue postsecondary education, and/or seek career advancement opportunities. By retaining and re-engaging youth in education, this waiver request is consistent with Governor Whitmer's statewide postsecondary education goals to achieve 60% of working-age adults completing a postsecondary credential by the year 2030, to increase college readiness, and for the next generation of talent to make it in Michigan.

Jobs for Michigan's Graduates (JMG) is a proven partner in this effort. As the state affiliate of the national Jobs for America's Graduates (JAG's) organization, the programming has over 40 years of demonstrated outcomes of ensuring our country's most at-risk youth graduate from high school, enter postsecondary education, and/or transition into meaningful employment. In PYs 2024 and 2025, JMG exceeded their goal and served 5,370 Michigan youth residing in 524 Michigan cities, towns, and villages. Of the youth served, 77% were potential first-generation college students, and 84% were economically disadvantaged.

The JMG program boasts the following successes that show tremendous potential to positively impact youth:

Fourteen consecutive years of graduation rates that are 90% or higher for all dropout prevention services, with a 99% graduation rate from the JMG in-school Class of 2025.

In support of LEO and Governor Whitmer's "60 by 30," JMG's in-school further education rate for 2024 was 63%, exceeding the state average.

JMG's ISY consistently meet, or exceed, JAG National's metric of a 90% return to school rate, with 96% of alternative students, and 96% of traditional ISY returning to school in September

of 2025.

JMG youth consistently reach full-time positive outcomes, with 82% of OSY and 91% of ISY, in the class of 2024, entering full-time employment, postsecondary education, the military, or any combination.

For Michigan to remain competitive nationally in job retention and growth, it must continue to address the low graduation, postsecondary education attainment, and employment rates of youth within the state. The JMG program equips youth with the skills to overcome their barriers and succeed in career-focused education, employment, and in life. The program engages youth to discover different opportunities and plan for their chosen career path in Michigan. The JMG specialists deliver engaging and outcome-based services to youth, giving them a reason to stay in, or return to, school. Core program components include competency-based instruction, project-based learning, work-based learning and career exposure, trauma-informed support and barrier removal, leadership development, mentoring, and follow-up services. JMG has proven a strong complement to WIOA Youth programming, providing a service delivery model that drives positive outcomes for Michigan's most in-need youth.

Support for Young Professionals Programming

Michigan aligns with WIOA in support of an increased focus on work experience for youth and envisions a public-private partnership designed to reduce youth unemployment by introducing under-represented young adults aged 14 to 24 years old, to the world of work while providing participants and their families income. Combined services place young adults on the right path to gain the skills necessary to achieve lifelong economic self-sufficiency. Originally piloted in 2020 as a summer youth employment program, the Young Professionals Initiative continues as a year-round opportunity. Increased flexibility of

Statewide Activities dollars resulted in improved efficiency and effectiveness of services to at-risk youth in our local communities, despite their educational status. Local programs continue to prioritize common barriers such as transportation or childcare allowing to increase virtual opportunities for career exploration, preparation, and placement. As a result of the previous flexibility provided, the quantitative outcome of this waiver in PY 2024, enabled services to 992 young adults statewide. LEO-WD projects subsequent approval of this waiver will support services to continue assisting young adults with a no-cost increase resulting in over 1000 youth receiving services through this initiative in PY 2025.

Local programs will provide career services and employment opportunities in partnership with MWAs and under the direction of local Workforce Development Boards. Business Service Teams will play a crucial role in recruitment of employers, with a focus on key in-demand industries, such as Hospitality, Health Services, Transportation, and Manufacturing. Resources will be leveraged with additional funding partners, such as Wagner-Peyser funding, to assist with activities such as recruitment, resume assistance, career preparation, and job fairs.

Data from the American Community Survey states the national unemployment rate for young adults, ages 16 to 24 years old, for the five-year period of 2019-2023, was 14.3% for ages 16 to 19 years and 9.1% for ages 20 to 24 years. Michigan's youth unemployment rate for individuals ages 16 to 24 years old was slightly higher at 14.5% for ages 16 to 19 years and 9.8% for ages 20 to 24 years during the five-year period of 2019-2023. Non-metro counties have an average youth unemployment rate of 12.2% for ages 16 to 19 and 8.2% for ages 20 to 24 years, while metro counties have an average youth unemployment rate of 14.5% for ages 16 to 19 years and 9.8% for ages 20 to 24 years. While youth joblessness has moderated, the rate is still nearly double the SOM's overall rate of 5.3%. This data reflects a significant need for progress in the creation and expansion of opportunities for youth employment in Michigan.

According to Michigan Center for Data and Analytics (MCDA), a higher-than-average jobless rate for youths ages 16 to 24 years old, is expected, and reflects a combination of factors including competition from older, more experienced workers and structural challenges, like skills mismatches. In 2024, 63.4% of Michigan youth were participating in the labor market, which was slightly higher than the national youth participation rate of 60.5%. However, this number is bolstered by older youth ages 20 to 24 years old, with a participation rate of 78.1% in Michigan. As expected, younger youth, ages 16 to 19 years old, were less active in the labor market, with a participation rate of 44.7%. One important reason that explains why so many youth are not participating in the labor market is engagement in educational activities. Flexibility of Statewide Activities funding will allow Michigan to serve more youth who may benefit from valuable summer youth employment while expecting to return to school in the fall as well as those seeking work throughout the year.

More recently, over the 12-month period of September 2024 to August 2025 Michigan youth ages 16 to 24 have seen jobless rate increases compared to the previous year. This group had a jobless rate of 13.1% in the 12-month period ending August 2025 compared to 9.2% in the 12-month period ending August 2024. Those 16 to 24 also had a participation rate of 61.4% in the most recent 12-month period. Those ages 16 to 19 statewide had a participation rate of 44.1% and jobless rate of 16.5% in the 12-month period ending August 2025. This is compared to a 76.8% participation rate and 11.3% jobless rate for those ages 20 to 24 over the same period.

The ability to reach more youth while they are still attached to an educational institution gives

LEO-WD the chance to reduce the impact of high-risk factors, including poverty, while providing an opportunity to earn valuable wages for youth and their families. Flexibility of funding will increase Michigan's ability to provide necessary resources to meet the needs of all youth populations to ensure they have access to quality career exploration and work experience opportunities. Approval of this waiver will provide greater opportunity to serve youth who are struggling on the path to finish high school and encourage continuation on a pathway toward multiple career and educational opportunities, such as entering a Registered Apprenticeship program, earning an associate's and/or a bachelor's degree, and obtaining self-sustaining employment.

Waiver #2 - Michigan Department of Labor and Economic Opportunity Workforce Innovation and Opportunity Act Waiver Request Incumbent Worker Training

The Michigan Department of Labor and Economic Opportunity (LEO) seeks approval of the following statutory waivers in accordance with the federal Workforce Innovation and Opportunity Act (WIOA) of 2014 at Section 189(i)(3) and the WIOA Final Regulations at 20 Code of Federal Regulations (CFR) 679.600 thru 679.640. These waiver requests will assist the State of Michigan (SOM) to further develop and strengthen its demand-driven workforce development system.

Statutory and/or Regulatory Requirement(s) to be Waived

The SOM is requesting waivers of the following statutory and regulatory provisions:

A waiver of the requirement at WIOA Section 134(d)(4)(A)(i) and 20 CFR 680.800(a) that limits the percentage of WIOA Adult and Dislocated Worker formula funds that may be reserved and utilized by a local area to provide Incumbent Worker Training (IWT) to a combined 20% of the funds available in the local area. The SOM is requesting a waiver to raise this limitation to 50% for Program Years (PYs) 2024 through 2027.

A waiver of the requirement at 20 CFR 680.780 that an incumbent worker, or a majority of a group of incumbent workers, have an established employment history with the employer of six (6) months or more, in order to be eligible to receive IWT. The SOM is requesting elimination of this requirement for PYs 2024 through 2027.

A waiver of the requirement at 134(d)(4)(D)(ii) and 20 CFR 680.820 which establishes a sliding scale based upon employer size for the minimum required non-federal share contribution that an employer must make for IWT. The SOM is requesting a waiver to lower the minimum contribution to 10% for all employers, regardless of size, for PYs 2024 through 2027.

Actions Undertaken to Remove State or Local Statutory or Regulatory Barriers

There are currently no state or local statutory or regulatory barriers to implementing the requested waivers. Current SOM laws, regulations, and policies follow federal law, regulations, and guidance.

State Strategic Goals

IWT is designed to meet the special requirements of an employer or group of employers to retain a skilled workforce or avert the need to lay off employees by assisting workers in obtaining the skills necessary to retain employment. As Michigan addresses shifts to renewable energy in both the utility and auto sectors, making up more than 20% of the state’s economy, employers have identified a need to train and upskill their existing employees in order to retain talent and ensure that workers have a career ladder to advance with their employers. The limitations on IWT funding amounts, timelines, and non-federal shares have prevented Michigan from having the flexibility to direct resources wherever they are needed most to help sustain workers and businesses during this time of transition. Therefore, IWT has been an underutilized resource. Via implementation of the requested waivers, SOM seeks to change this and achieve multiple strategic goals.

In alignment with Strategic Goal 1, Promote Inclusion and Close Equity Gaps, SOM seeks to promote inclusion and close equity gaps by enrolling more individuals into Workforce Development (WD) programs and prioritizing increasing wages for individuals who participate in WD programs. This applies to all three IWT waivers requested. By increasing the flexibility of funding usage, eliminating the six-month requirement, and reducing the required employer contribution, the SOM will be positioned to provide IWT services to more individuals than under the current restrictions. Specifically, the 20% threshold disincentivizes local commitment to promote IWT with employers due to limited funding to support projects. The SOM believes a 50% threshold will provide ample flexibility to meet local needs to develop and grow IWT opportunities.

In alignment with Strategic Goal 3, Grow the Middle Class by Removing Barriers to Education and Employment, the SOM seeks to educate Michiganders and grow the middle class by upskilling or reskilling workers and increasing credential attainment of Michiganders through WD programs. This applies to all three IWT waivers requested. By increasing the flexibility of funding usage, eliminating the six-month requirement, and reducing the required employer contribution, the SOM will be positioned to provide IWT services that upskill and reskill workers to more individuals than under the current restrictions. Specifically, the 20% threshold disincentivizes local commitment to promote IWT with employers due to limited funding to support projects. The SOM believes a 50% threshold will provide ample flexibility to meet local needs to develop and grow IWT opportunities.

In alignment with Strategic Goal 4, Provide Dynamic and Responsive Business Solutions, the SOM seeks to support workers and businesses in industries undergoing significant transition. This includes the automotive industry, which is making the transition from manufacturing primarily internal combustion engine driven vehicles, or component their parts, to also manufacturing electric vehicles, or their component parts. This applies to all three IWT waivers requested. The SOM is focusing on IWT as a critical tool to avert layoffs during these transitions and provide opportunities to existing workers to maintain and advance in family sustaining employment. By increasing the flexibility of funding usage, eliminating the six-month requirement, and reducing the required employer contribution, the SOM will be positioned to provide IWT services that better support workers and businesses undergoing significant transitions than under the current restrictions. Specifically, the 20% threshold disincentivizes local commitment to promote IWT with employers due to limited funding to support projects. The SOM believes a 50% threshold will provide ample flexibility to meet local needs to develop and grow IWT opportunities. Additionally, lowering the non-federal share of funding to 10% for employers with over 50 employees is necessary to assist employers facing current and projected financial hardships due to the need to rapidly transition their business model and employee skillsets to remain competitive.

To further align with Strategic Goal 4, the waiver of the requirement at 20 CFR 680.780 would eliminate an arbitrary barrier (six-month employment requirement) to providing IWT for workers and businesses. To ensure a successful transition of skills for those working in fossil fuel-based industries, the SOM, local Workforce Development Boards, and local employers must be able to rapidly respond to changing needs to ensure continued competitiveness. Removing the six-month requirement increases the ability of all partners to be more responsive to the needs of workers and businesses.

These strategic goals align with Governor Gretchen Whitmer's priorities and Michigan's WIOA State Plan.

Projected Programmatic Outcomes Resulting from Implementation of the Waiver

Through implementation of these waivers, the SOM will achieve the following programmatic outcomes:

Increase the number of workers participating in IWT programs. In PY 2022, 589 individuals engaged in IWT. Given Michigan's funding decrease in PY 2023 of $1,689,399, we are projecting to serve 571 individuals with IWT in PY 2024. Should funding remain stable and restrictions be waived, Michigan projects it will provide a minimum of 600 individuals with IWT in PY 2024, and 630 individuals with IWT in PY 2025 as the local areas adjust to the flexibility and scale efforts. These outcomes are projected on the collective impact of the three IWT waivers.

Help to avert layoffs of workers at businesses undergoing significant transition. Verification of this projected outcome will be collected through employer feedback and success stories.

Alignment with U.S. Department of Labor (USDOL) Policy Priorities

The waiver request aligns with the following USDOL policy priorities:

Supporting employer engagement and supporting work-based learning opportunities.

WIOA provides for a workforce system that is universally accessible, customer-centered, and demand-driven. WIOA also places an emphasis on work-based learning opportunities. Among the many training options available to Adults and Dislocated Workers is IWT, a learning strategy that allows local areas to serve individuals who are currently working. Providing more IWT will increase the competitiveness of the employee and the employer, and result in increased employer engagement with the workforce system and greater utilization of a key work-based learning option.

Individuals, Groups, or Populations Affected by the Waiver

This waiver will impact workers and businesses in Michigan, particularly those workers and businesses in industries undergoing significant transition such as the automotive industry which is making the transition from manufacturing primarily internal combustion engine driven vehicles, or their component parts, to also manufacturing electric vehicles, or their component parts.

Plans for Monitoring Implementation and Collecting Waiver Outcome Information

WIOA onsite programmatic reviews include an evaluation of how waivers are being utilized in the local area to ensure programmatic goals and outcomes are being met. WIOA State Coordinators dedicated to the administration of the WIOA Adult and Dislocated Worker programs will continually examine the effectiveness of waivers throughout the PY. This strategy ensures that the objectives described above, as well as those outlined in the existing state and local WIOA plans, are consistent with established objectives of the WIOA and federal regulations and guidance.

Notice to Local Boards and Public Comment

In accordance with WIOA Section 102(c)(3) and WIOA Final Regulations at 20 CFR 676.135, LEO is submitting this waiver request as part of the WIOA State Plan, which is subject to the requirements outlined in WIOA Final Regulations at 20 CFR 676.130(d) regarding public review and comment. This waiver request has been posted on the Department's website for review and comment by required parties and the general public for 30 days. A copy of this waiver request was provided to all local Workforce Development Boards and their association. No opposition to this waiver, as proposed, was received.

Michigan Department of Labor and Economic Opportunity Workforce Innovation and Opportunity Act Waiver Request Data Validation

Statutory and/or Regulatory Requirement(s) to be Waived

In accordance with the Workforce Innovation and Opportunity Act (WIOA) Section 189(i)(3) and WIOA Final Regulations at 20 Code of Federal Regulations (CFR) 679.600 through 679.640, the State of Michigan (SOM) Department of Labor and Economic Opportunity (LEO) requests a waiver of the requirement to use guidelines issued by the Secretary, in conjunction with the Secretary of Education, to meet data validation requirements outlined in WIOA Section 116(d)(5) and 20 CFR 677.240.

This request seeks flexibility to use state-developed comprehensive programmatic monitoring procedures in lieu of guidelines issued by the Secretary, in conjunction with the Secretary of Education. These guidelines are currently found in Training and Employment Guidance Letter 23-19, Change 3. The state-developed monitoring plan and implementation is a more comprehensive and cost-effective way to ensure data is valid and reliable while maintaining program integrity and performance accountability.

The SOM's robust WIOA comprehensive programmatic monitoring approach evaluates each local workforce area in four key topics: Governance, One-Stop Operations, Training Services, and Youth. In addition to reviewing the four key focus areas, the SOM conducts in-depth monitoring of participant files from the WIOA Adult, Dislocated Worker, Youth, and Wagner-Peyser programs. For each file, eligibility verification, service delivery, the individual employment plan/Individual Service Strategy, supportive services, exit status, outcomes (e.g., credential attainment, measurable skill gains), and follow-up after exit, are reviewed and supporting documentation is verified.

The citations that include the specific element requiring the SOM to use guidelines issued by the Secretary, in conjunction with the Secretary of Education, to meet data validation requirements include:

WIOA Section 116(d)(5) – Data Validation states, "In preparing the state reports described in this subsection, each state shall establish procedures, consistent with guidelines issued by the Secretary, in conjunction with the Secretary of Education, to ensure the information contained in the reports is valid and reliable."

Additionally, 20 CFR 677.240 states, "(a) States must establish procedures, consistent with guidelines issued by the Secretary of Labor or the Secretary of Education, to ensure that they submit complete annual performance reports that contain information that is valid and reliable, as required by WIOA Section 116(d)(5). (b) If a State fails to meet standards in paragraph (a) of this section as determined by the Secretary of Labor or the Secretary of Education, the appropriate Secretary will provide technical assistance and may require the State to develop and implement corrective actions, which may require the State to provide training for its subrecipients. (c) The Secretaries of Labor and Education will provide training and technical assistance to States in order to implement this section. States must comply with the requirements of sec. 116(d)(5) of WIOA as explained in guidance."

Actions Undertaken to Remove State or Local Statutory, or Regulatory Barriers

There are currently no state or local statutory or regulatory barriers to implementing the requested waiver. Current SOM laws, regulations, and policies align with federal law, regulations, and guidance.

Strategic Goals

The primary goals of this waiver are to:

Increase staff capacity to focus on direct participant services, employer engagement, and improved outcomes.

Michigan continues to experience significant workforce supply constraints that require rapid, flexible, and high-capacity service delivery from the Michigan Works! system. Across multiple regions, employers report persistent hiring challenges in key sectors including health care, advanced manufacturing, construction, education, and information technology. At the same time, Michigan's labor force participation rate has not fully rebounded to pre-pandemic levels, and population aging trends are contributing to structural labor shortages. Many employers are expanding training partnerships and requesting expedited talent pipelines to address operational capacity and growth needs.

These economic conditions require the workforce system to prioritize rapid participant enrollment into career services and training, expanded employer engagement and sector strategy implementation, increased provision of supportive services and case management, and accelerated credential attainment and measurable skill gains. However, federally prescribed data validation requirements require significant staff time devoted to documentation collection and verification from limited sources, file assembly, and monitoring procedures that do not directly contribute to participant outcomes. Local workforce agencies report that these activities reduce available staff capacity to deliver services at the scale required to respond to current labor market demand.

Reduce administrative and financial burden on local workforce development boards, service providers, and state workforce development staff.

Data validation monitoring creates duplicative requirements that are inconsistent with Michigan's current accountability framework and utilizes limited resources for redundant administrative functions. Data validation requirements, as mandated in Training and Employment Guidance Letter (TEGL) 23-19, Change 3, direct funding to resources (staff time, paper, file folders, physical and electronic storage space, travel) that is critical to fill funding gaps due to significant allocation decreases.

In Program Year 2024, a total of 233,463 individuals participated in Wagner-Peyser Employment Service in Michigan. Collecting, storing, and maintaining source documentation for Wagner-Peyser participants in compliance with TEGL 23-19, Change 3, is conservatively estimated to require 77,821 hours, equating to 9,728 business days (20 minutes per participant x 233,463 participants) and cost a minimum of $3,190,661 at the local, Michigan Works! Agency (MWA), level. This figure is based on a survey of wage and benefit rates conducted in 2024. These estimates do not include costs associated with state and local monitoring data validation compliance. The additional cost of ongoing file maintenance and storage, as required in

TEGL 23-19, Change 3, is unknown.

Modernize and streamline state data systems, documentation processes, and program monitoring.

Michigan has made substantial investments in data system modernization and automated integrity controls that provide efficient and accurate methods for ensuring data quality. Michigan's enhanced, integrated monitoring system incorporates robust eligibility document verification, comprehensive programmatic and fiscal review, real-time data integrity checks, and strong local accountability mechanisms. In addition to ensuring compliance with federal and state requirements, these processes focus on customer experience and service delivery. Current monitoring processes exceed the rigor and scope of the federal data validation model, making separate data validation requirements unnecessary and an inefficient use of limited resources.

Approval of this waiver will support Michigan's ability to do the following with better utilization of limited staff time and resources:

Expedite participant time-to-placement in training in high-demand occupations.

Expedite time-to-placement for job seekers.

Increase responsiveness to regional economic development initiatives.

Strengthen talent pipelines for priority industry sectors.

Reduce the financial burden of excessive documentation collection and storage for local workforce development boards.

Reduce the financial burden of state staff time and travel related to conducting data validation reviews.

The requested flexibility is particularly critical as Michigan continues implementing strategies to address talent shortages, support economic competitiveness, and respond to regional workforce disruptions. The waiver will enable the workforce system to operate with greater agility while preserving program integrity through targeted monitoring and data analytics. Michigan will maintain performance outcomes under this waiver.

This waiver directly supports the goals, strategies, and system improvement priorities established in the Michigan 2026 Combined State Plan. Michigan's plan emphasizes the need for a modernized, integrated, and data-driven workforce system that prioritizes outcomes for job seekers and employers. As outlined throughout the Plan's strategic and operational elements, Michigan is actively working to:

Improve and modernize statewide data and reporting systems, including the alignment of the One-Stop Management Information System (OSMIS), Pure Michigan Talent Connect, the Workforce Longitudinal Data System, and other program management tools to ensure

high-quality, reliable data while increasing efficiency.

Streamline administrative processes across core programs to support increased co-enrollment, shared performance metric outcomes, and integrated service delivery.

Reduce barriers for eligible individuals with significant challenges to employment, by limiting procedural burdens that delay enrollment and access to training and career services.

Enhance staff capacity and resources by minimizing duplicative documentation requirements during a time of significant funding reductions and workforce system strain.

Support continuous improvement and data-informed decision-making through flexible, accurate, and feasible data collection processes that align with modernization efforts.

The SOM acknowledges system fragmentation, administrative burden, and the need for streamlined processes as core challenges; this waiver directly addresses those issues by allowing flexibility in validation practices while maintaining data integrity.

Projected Programmatic Outcomes

Expected outcomes include:

Improved staff availability to provide participant engagement and services.

Decreased administrative costs.

Expedited time to placement for eligible job seekers and those in need of postsecondary training.

Sustained or improved performance outcomes under WIOA primary indicators.

Increased capacity to focus on service delivery rather than time-intensive document collection tasks that have limited performance value.

Improved consistency with planned data system modernization, allowing the SOM to transition toward more automated, reliable, and integrated data validation processes.

Improved staff ability to strengthen coordination with community-based organizations, faith-based entities, and education partners.

Capacity to focus on better alignment with the SOM's strategic goals to increase postsecondary credentials, grow the labor force participation rate, and remove barriers to participation, as outlined in the Combined State Plan.

Approval of this waiver would allow the SOM to utilize existing systems, monitoring reviews, processes, shared eligibility standards, and eligibility validation requirements already in place. Michigan will continue to work on aligning current systems, processes, shared eligibility standards, and definitions to ensure consistency, clarity, and accountability across programs. Michigan will continue to maintain robust monitoring and oversight systems to ensure compliance, data integrity, and program performance. These systems provide comprehensive review, validation, and accountability mechanisms that meet federal intent while reducing redundancy.

This waiver will reduce administrative and financial burdens as a result of duplicative reviews on the workforce system. Local workforce areas have systems in place to monitor eligibility and the validity of reported data, and the SOM has a comprehensive programmatic review process that monitors data and supporting documentation. Michigan has had acceptable data validation pass rates and will continue to have acceptable pass rates without the burden of a separate data validation review cycle. Funding that currently supports data validation reviews could be used to support workforce strategies to meet the talent pool needs of employers to sustain their business and increase their global competitiveness.

Additionally, the SOM will continue to use the Participant Individual Record Layout (PIRL) Admin Utility function, which allows state and MWA staff to view records that did not pass edit checks. The participant's name and the exact edit check rule, that was broken, is displayed. Links within the utility, lead directly to the errored record. The record can be researched and, where applicable, updated before the PIRL file is submitted in the Workforce Integrated Performance System quarterly. This facilitates more accurate data and identifies possible updates to the OSMIS system.

Alignment with the Department of Labor's Policy Priorities

In requesting a waiver of WIOA Data Validation requirements, Michigan demonstrates alignment with the United States Department of Labor's (USDOL's) strategic vision laid out in America's Talent Strategy: Building the Workforce for the Golden Age.

Integrated Systems (Pillar III) calls for, "replacing a fragmented web of duplicative programs with a streamlined, coordinated system that delivers unified workforce services." The waiver enables Michigan to suspend separate validation reviews, opting instead for an integrated state (local) monitoring system that streamlines oversight functions while maintaining data integrity. This eliminates redundancy, aligns with unified service delivery goals, and supports enhanced resource coordination.

Worker Mobility (Pillar II) calls for, “bringing more Americans into the labor force and helping them advance, including through the innovative use of technology and labor market data.” The waiver expedites eligibility processes and reduces administrative delays for participants, thereby accelerating workforce entry, minimizing barriers to participation, and reflecting the pillar’s emphasis on streamlining access.

Accountability (Pillar IV) emphasizes, “federally funded workforce programs deliver measurable results by linking investments to outcomes & enforcing performance discipline.” Michigan maintains rigorous internal accountability through ongoing monitoring and historically high validation pass rates, ensuring compliance and outcome reliability.

Flexibility & Innovation (Pillar V) endorses, “creating new models of workforce innovation built to match the speed and scale of AI-driven economic transformation.” Flexibility granted by the waiver empowers Michigan to reallocate resources toward AI-enhanced validation tools and other innovations that enhance system responsiveness and performance.

By granting this waiver, USDOL would support Michigan in reducing administrative inefficiencies, accelerating eligible participant access, maintaining robust oversight, and embracing innovative strategies, whereby advancing the shared objectives of America’s Talent Strategy.

Individuals, groups, or populations affected by the waiver

The waiver will have a positive impact on all system stakeholders. Eligible individuals with barriers to employment will benefit from faster access to services and more direct support. Local programs will experience reduced administrative burden and gain the capacity to expand outreach and deliver higher-quality services. Employers will experience improved responsiveness and stronger talent pipelines. The waiver strengthens Michigan’s ability to provide timely and effective workforce services while maintaining strong accountability and data integrity.

State plans for monitoring waiver implementation, including collection of waiver outcome information

Michigan will continue to meet all federal reporting requirements and will monitor WIOA fiscal and programmatic implementation, performance and data accuracy throughout the waiver period to ensure that this flexibility results in improved customer service as well as participant and employer outcomes.

If approved, Michigan will:

Utilize automated data system edits and cross-system matching, where available, to ensure data accuracy; otherwise, manual validation will be conducted.

Evaluate and pursue data sharing agreements as opportunities are identified to improve coordination and cross-matching.

Enhance current system of programmatic monitoring, including thorough review of participant eligibility documentation, and increase file reviews where performance anomalies or data quality concerns are identified.

Maintain documentation to support performance outcomes and fiscal integrity.

Continue submission of required performance reports in accordance with federal timelines.

Continue to provide guidance and training to local areas on acceptable validation practices.

Michigan will monitor waiver implementation through:

Quarterly data quality reviews and performance trend analysis.

Annual evaluation of administrative cost savings and service delivery impacts.

Ongoing stakeholder feedback from local workforce development boards and partners.

Corrective action procedures where data reliability concerns are identified.

The SOM will report waiver outcomes and effectiveness to the USDOL as required.

The SOM remains fully committed to all non-waivable WIOA requirements and will ensure that this waiver does not compromise data accuracy, participant eligibility, fiscal integrity, or performance accountability.

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

In accordance with WIOA Section 102(c)(3) and WIOA Final Regulations at 20 CFR 676.135, LEO is submitting this waiver request as part of the WIOA State Plan, which is subject to the requirements outlined in WIOA Final Regulations at 20 CFR 676.130(d) regarding public review and comment.

During the State Plan comment period, a comment was received from local Workforce Development Boards and their Association in support of this request. During the waiver request comment period, a comment was received from one local Workforce Development Board in support of it.

Conclusion

Approval of this waiver will empower Michigan to implement a more efficient and modern monitoring approach that meets the requirements of the WIOA statute and the priorities outlined in the Combined State Plan. This flexibility is essential to sustaining a high-performing workforce system during a period of resource constraints, system transformation, and heightened need among Michigan residents and employers

We received MI's response:

The U.S. Department of Labor's National Office has completed its initial review of Michigan's 2026 State Plan waiver submissions and requests additional information related to the waiver associated with WIOA Section 129(a)(4)(A) and 20 CFR 681.410 regarding Out-of-School Youth (OSY) expenditure requirements. The details are outlined below.

1. **Michigan should revise their waiver request to clarify that they want to lower the OSY expenditure rate to 50% for local area funds and eliminate the OSY expenditure requirement for statewide reserve funds.**
    - In this waiver request, Michigan stated, "The SOM is requesting:
      To lower the minimum OSY expenditure requirement **to 50%** for formula funding at both the state and local levels; and
      To **eliminate the minimum OSY expenditure requirement for WIOA Statewide Activities funding** when providing direct services to youth."
    - Michigan's statements contradict each other as highlighted. We assume Michigan does not mean that they want to lower the OSY expenditure rate to 50% at the state level since they also ask to eliminate the expenditure requirement for statewide funds.

This has been revised as follows:

"The SOM is requesting:

- *To lower the minimum OSY expenditure requirement to 50% for formula funding for local youth funds.*
- *To eliminate the minimum OSY expenditure requirement for WIOA Governor's Reserve funding when providing direct services to youth."*

2. **Michigan should revise their waiver request to clarify their quantifiable goals and outcomes.**
    - Please review/revise the outcomes that resulted from the previous waiver and provide the quantifiable goals projected if this waiver is granted.

In the waiver as previously submitted, we stated the following:

"Results and outcomes observed through implementation of the existing waiver
The local Michigan Works! Agencies (MWAs) are meeting or exceeding the approved 50% OSY expenditure minimum for Appropriation Year 2023 WIOA Youth funding, in compliance with the waiver approved in May of 2024. The SOM tracks these expenditures quarterly and annually in the Management of Awards to Recipients System. Technical assistance is provided to any MWAs identified as at-risk during a review. Receipts of these waivers have provided continuous improvement in serving both In-School-Youth (ISY) and OSY served in the last two PYs, demonstrating continuous growth with a 1% increase in OSY in PY 2023 and a 4.73% increase of ISY in PY23, highlighting steady progression and commitment to expanding youth outreach. MWAs served 1726 ISY in PY 2024. Although 221 fewer ISY were served in PY 2024, as compared to PY 2023, the percentage of ISY who participated in work experience increased by 3% in the same time

period. Additionally, Michigan saw a $151,001 reduction in total WIOA Youth funds in PY 2024, which likely contributed to the reduction in number of individuals served.

Michigan set an ambitious goal of achieving at least 60% of ISY engagement in work experience activities for PY 2023 through PY 2025. However, due to a decline in overall youth participation from PY 2023 to PY 2024, these targets were not met as anticipated. Despite this, Michigan has maintained robust OSY participation and prioritizing OSY with statewide participation rates reaching 72% in PY 2023 and 73% in PY 2022.

This waiver has proven to play a critical role in expanding outreach and building career pathways for at-risk youth. MWAs have reported the flexibility provided by this waiver has enabled the development of career pipelines and supportive services that promote long-term positive outcomes aligned with the SOM's strategic goals. Michigan continues to exceed its work experience expenditure goals annually and performance accountability outcomes for WIOA Youth (both ISY and OSY) have remained steady or increased for all performance indicators in PY 2023 and PY 2024. While overall participation has fluctuated, the quality and impact of services remain high.

Michigan remains deeply committed to serving all job seekers through innovative and outcomes-driven programming. As the statutory requirement to allocate 75% of WIOA youth funds to OSY has helped maintain a strong focus on disconnected youth, it has also limited the SOM's ability to invest in additional innovative strategies that support all youth, regardless of school status. Michigan has continued to create innovative ways to meet these needs as a result of this waiver.

State Strategic Goals and Expected Programmatic Outcomes
As a result of this waiver, the SOM anticipates performance accountability outcomes for WIOA Youth (both ISY and OSY) will remain steady or increase for the majority of WIOA Youth performance indicators. Additionally, the SOM projects an expected outcome of 41% of ISY participants to participate in a work experience activity."

Does this adequately address this request? If not, can you please provide an example of what you're looking for? We hesitate to include specific performance targets, due to not having negotiated rates for the time period for which this waiver would apply.

The Region asked for additional information on quantifiable goals and outcomes

Response:
We believe we clearly outlined the quantifiable goals and outcomes. In our request, we state the following:

"**State Strategic Goals and Expected Programmatic Outcomes**

> As a result of this waiver, the SOM anticipates performance accountability outcomes for WIOA Youth (both ISY and OSY) will remain steady or increase for the majority of WIOA Youth performance indicators. Additionally, the SOM projects an expected outcome of 41% of ISY participants to participate in a work experience activity."

Additionally, we addressed the outcomes resulting from the previous waiver. In our request, we state the following:

"Results and outcomes observed through implementation of the existing waiver

The local Michigan Works! Agencies (MWAs) are meeting or exceeding the approved 50% OSY expenditure minimum for Appropriation Year 2023 WIOA Youth funding, in compliance with the waiver approved in May of 2024. The SOM tracks these expenditures quarterly and annually in the Management of Awards to Recipients System. Technical assistance is provided to any MWAs identified as at-risk during a review. Receipts of these waivers have provided continuous improvement in serving both In-School-Youth (ISY) and OSY served in the last two PYs, demonstrating continuous growth with a 1% increase in OSY in PY 2023 and a 4.73% increase of ISY in PY23, highlighting steady progression and commitment to expanding youth outreach. MWAs served 1726 ISY in PY 2024. Although 221 fewer ISY were served in PY 2024, as compared to PY 2023, the percentage of ISY who participated in work experience increased by 3% in the same time period. Additionally, Michigan saw a $151,001 reduction in total WIOA Youth funds in PY 2024, which likely contributed to the reduction in number of individuals served.

Michigan set an ambitious goal of achieving at least 60% of ISY engagement in work experience activities for PY 2023 through PY 2025. However, due to a decline in overall youth participation from PY 2023 to PY 2024, these targets were not met as anticipated. Despite this, Michigan has maintained robust OSY participation and prioritizing OSY with statewide participation rates reaching 72% in PY 2023 and 73% in PY 2022.

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<u>If this does not adequately address the request for additional information, can you please provide an example of what you're looking for? We hesitate to include specific performance targets as part of our projected quantifiable goals, due to not having negotiated rates for the time period for which this waiver would apply.</u>

Thank you,
Julie

Julie S. Baker
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