

U.S. Department of Labor

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



June 23, 2026

The Honorable Katie Hobbs
Governor of Arizona
1700 W. Washington Street
Phoenix, Arizona 85007

Dear Governor Hobbs:

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 28, 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 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 Years (PY) 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 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 OSY.

ETA Response: 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 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 Arizona 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.

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 that reads "Henry Mack". The signature is fluid and cursive, with the first name "Henry" and last name "Mack" clearly distinguishable.

Henry Mack, Ed.D.
Assistant Secretary

Enclosures

cc: Michael Wisheart, Director, Arizona Department of Economic Security
Dr. Tamika Ledbetter, San Francisco Regional Administrator, ETA
Marian Esver, Federal Project Officer, ETA

**Arizona 2026 State Plan Modification
Waiver Requests
Received April 28, 2026**

For PY 2026 to 2027, Arizona requests the continuation of 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 Departments' strategies ³⁹ as well as promote 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, for in-school and out-of-school youth, access to career services and 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 in-school youth, Arizona has requested the waiver to allow ITA for in-school youth as well. The waiver has been approved until June 30, 2026.

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 Eligible Training Provider List (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 program year that the waiver is in place, the State projects that the performance outcomes for in-school youth with an ITA will be higher than the overall performance outcomes for in-school youth.

Outcomes through Waiver Implementation. In PY 2024, ⁴⁰ 44 in-school youth received training services through an ITA. Of those participants included in the PY 2024 performance indicators, in-school youth who received training with an ITA were more likely to have employment in the second and fourth quarters after exit, attained a credential, or achieved a measurable skill gain, and have higher earnings, as illustrated below:

Performance Outcomes for In-School Youth with ITA (PY 2024)

Indicator	In-School Youth with ITA-Funded Training			In-School Youth Total		
	Achieved a Positive Outcome	Qualified to Achieve a Positive Outcome	Rate (%)	Achieved a Positive Outcome	Qualified to Achieve a Positive Outcome	Rate (%)
Employment Rate 2nd Quarter	39	50	78%	229	324	71%
Median Earnings	\$8,776			\$5,629		
Employment Rate 4th Quarter	42	52	81%	234	316	74%
Credential Attainment Rate	33	51	65%	159	291	55%
Measurable Skill Gains	41	53	77%	181	300	60%

In the 2024 waiver request, Arizona projected that the use of ITA for in-school youth would have the following impact:

- At least 75 in-school youth would use an ITA to fund occupational skills training on the ETPL.
- The employment rate for in-school youth with an ITA would 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 would be at least 30 percent higher than the overall credential attainment rate for in-school youth.
- The measurable skill gains rate for in-school youth with an ITA would be at least 10 percent higher than the overall measurable skill gains rate for in-school youth.

The PY 2024 annual report shows in-school youth with an ITA performed better than expected in the following measures:

- Employment rate, second and fourth quarters after exit -- seven percent more than the overall employment rate for in-school youth.
- Measurable skill gains -- 17 percent more than the overall measurable skill gains rate for in-school youth.

While in-school youth with an ITA's credential attainment rate is 10 percent higher than the overall credential attainment rate of all in-school youth, the difference is less than the 30 percent projection described in the 2024 waiver request. The projections on credential attainment rate and the number of in-school youth using ITAs (at least 75 in-school youth) were informed by PY 2023 data⁴¹, which showed the following: the credential attainment for in-school youth with an ITA was 28 percent more than the overall in-school youth credential attainment rate; and 82 in-school youth used an ITA.

Notwithstanding the decline in the number of in-school youth using an ITA, PY 2024 data (as well as prior ones noted here) show greater outcomes for in-school youth who used an ITA.

Alignment with DOL's Policy Priorities. The ITA for in-school youth supports Pillar V: flexibility and innovation. It has allowed the State and local areas to tailor services according to the needs of the youth, enhancing their outcomes. 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. From December 17, 2025 to January 5, 2026, the State surveyed local workforce development board directors and staff about waiver requests, and 88 percent of respondents agreed that the ITA for

in-school youth waiver would reduce barriers to service delivery, promote innovative programmatic options, enhance outcomes for job seekers and employers, and support the State's strategic goals.

The ITA for in-school youth waiver request is applicable statewide and is being submitted to DOL as part of Arizona's Unified State Plan Modification, which is available for public review and comment from March 23, 2026 to April 3, 2026.

Out-of-School Priority

Regulatory Requirement to be Waived. Arizona requests to continue the 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. The waiver was initially requested in 2024 and has been approved until June 30, 2026.

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](#). 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 for PYs 2024 and 2025 and highlighted the following to reinforce the request:

- **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 2024 waiver request projected that approximately 500 more in-school youth would be served, using both local area and statewide funds, as a result of the waiver. While PY 2024 did not see an increase in in-school youth served in the local areas, Arizona anticipates that the continuation of the out-of-school priority waiver will promote stronger outcomes for youth -- when services are provided to close any gaps between youth skills and employer needs and funding restrictions based on youth's school status at program entry are eased.

Alignment with DOL's Policy Priorities. The waiver supports Pillar V: flexibility and innovation. It has allowed the State and local areas to tailor services according to the needs of the youth, enhancing their outcomes. In addition, it 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.

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. From December 17, 2025 to January 5, 2026, the State surveyed local workforce development board directors and staff about waiver requests, and 75 percent of respondents agreed that the out-of-school youth priority waiver would reduce barriers to service delivery, promote innovative programmatic options, enhance outcomes for job seekers and employers, and support the State's strategic goals.

The out-of-school youth priority waiver request is applicable statewide and is being submitted to DOL as part of Arizona's Unified State Plan Modification, which is available for public review and comment from **March 23, 2026 to April 3, 2026**.

ITA for ISY Waiver Projected Outcomes:

- At least 75 in-school youth served in PY 2026 and 2027 would use an ITA to fund occupational skills training on the ETPL. *(This takes into account the downward trend in the number of Youth participants served.)*
- The employment rate for in-school youth with an ITA would be at least five percentage points higher than the overall employment rate for in-school youth.
- The credential attainment rate for in-school youth with an ITA would be at least 15 percentage points higher than the overall credential attainment rate for in-school youth.
- The measurable skill gains rate for in-school youth with an ITA would be at least 15 percentage points higher than the overall measurable skill gains rate for in-school youth.

OSY Priority Waiver Projected Outcomes: Arizona will achieve negotiated levels of performance for Youth indicators, specifically:

- Employment/Placement Rate, 2nd Quarter after Exit
 - PY2026: 76.5%
 - PY2027: 77.3%
- Employment/Placement Rate, 4th Quarter after Exit
 - PY2026: 75.0%
 - PY2027: 75.0%
- Median Earnings, 2nd Quarter after Exit
 - PY2026: \$6,750
 - PY2027: \$6,818
- Measurable Skill Gains Rate
 - PY2026: 70.0%
 - PY2027: 70.0%

The number of at-risk ISY the State was able to serve and the waiver's impact on Youth performance

In PY2025, when compared to their OSY counterparts, new ISY participants were:

- 72% more likely to be foster care youth
- 20% more likely to be basic skills deficient, english-language learners, or individuals experiencing cultural barriers to education/employment
- 18% more likely to be low-income at program entry